Japanese banks
Lending again to foreign customers
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High-yield satellites
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The man who revived IBM
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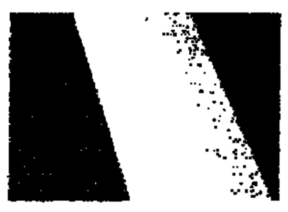

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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY OCTOBER 25 1994 — D8523A

Chemicals boost third-quarter profits at Exxon

A cyclical rebound in earnings from their chemicals businesses helped Exxon and other big US oil groups to report solid gains in underlying operating profits for the third quarter. Exxon said its chemicals businesses earned $198m in the latest period, up from $46m a year before. The results come against the backdrop of a rise in oil prices from a year ago which has lifted upstream exploration and production earnings, despite a fall in natural gas prices. Page 17

US budget deficit lowest for five years: The US budget deficit fell by $52bn to $203bn in the fiscal year to the end of September, the lowest level for five years. Page 16

Walker trial ends: Former Brent Walker chairman George Walker was cleared of orchestrating a £19m ($30m) fraud. The London trial, which cost £5m and lasted four and a half months, called into question Britain's system of criminal prosecutions in fraud cases. Page 16; Serious Fraud Office under threat, Page 9

Russia forecasts basis for stable economy: Russia may achieve the basis for economic stabilisation next year in spite of turbulence on the currency markets and a further contraction of output, an economics ministry forecast says. Page 2

Seven Picassos stolen from Zurich gallery

Seven paintings by Pablo Picasso worth around SFr52m ($40.3m), including "Vielle Femme et Deux Nus, Barcelone 1903" (left), were stolen from a Zurich gallery by thieves who broke in through the cellar of a neighbouring house. Two of the paintings were taken from the same gallery three years ago. The pictures, from Picasso's "blue" and "rose" periods, were among around 80 works given to the gallery by the painter.

Lufthansa share issue increased: Strong interest in German airline Lufthansa led to the placing of a further 1m shares by Dresdner Bank to bring the total raised by the privatisation issue to nearly DM1.1bn ($730m). Page 22

USAir posts $180m third-quarter loss: USAir, struggling US carrier partly owned by British Airways, suffered a third-quarter net loss of $180.1m as two crashes and increased competition contributed to a fall in passenger traffic. Page 17

Israel backs regional bank project: Israeli prime minister Yitzhak Rabin gave his backing in principle to the creation of a Middle East development bank to help finance projects in the region. Page 8

Daewoo to build cars in Romania: South Korean industrial group Daewoo took a 51 per cent stake in a $306m joint venture with Romanian state-owned carmaker Automobile Craiova. Page 5

Foreign investors turn to US real estate: Foreign investors' confidence in US real estate has grown strongly with Atlanta and Washington DC the most desirable cities for investment, a survey shows. Page 4

Rhône-Poulenc seeks Renault stake: French chemicals group Rhône-Poulenc applied to become one of a group of stable shareholders in Renault, the vehicles group being partially privatised. It hopes to develop new engine emission technologies with Renault. Page 18

Steel traders seek to buy Ilva arm: Two Italian steel traders are attempting to assemble an international consortium to acquire the flat steels activities of Ilva, Italy's state-owned steel manufacturer. Page 17

Electricity company in £186m payout: East Midlands Electricity, privatised UK utility, is to give £186m ($294m) back to its shareholders in a special dividend payment. Page 18; Lex, Page 16; East Midlands warms shareholders, Page 25

Record profits at Caterpillar: Caterpillar, US producer of construction machinery, reported record profits of $244m in the third quarter on sales ahead 19 per cent in spite of a strike by its United Autoworkers' union employees. Page 19

Scott Paper sells energy facility: Scott Paper of the US announced the sale of its Alabama energy facility for $350m to the Southern Company, a holding company for utilities based in the southern states, and gave details of its plan to sell off non-core assets. Page 17

■ STOCK MARKET INDICES

FT-SE 100:	3029.1	(-3.7)
Yield	4.17	
FT-SE Eurotrack 100	1312.32	(+7.57)
FT-SE-A All-Share	1510.76	(-0.1%)
Nikkei	19,852.37	(-46.71)
New York: lunchtime		
Dow Jones Ind Ave	3883.22	(-8.08)
S&P Composite	463.84	(-1.05)

■ US LUNCHTIME RATES

Federal Funds:	4¾%
3-mo Treas Bills: Yld	5.131%
Long Bond	94½
Yield	8.022%

■ LONDON MONEY

3-mo Interbank	5⅞%	(same)
Liffe long gilt future:	Dec 100⅞	(Dec 101⅛)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$16.32	(16.25)

■ Gold

New York Comex (Dec)	$391.4	(392.9)
London	$389.5	(390.7)

■ STERLING

New York lunchtime:		
$	1.629	
London:		
$	1.628	(same)
DM	2.437	(2.4345)
FFr	8.3517	(8.3452)
SFr	2.0293	(2.0277)
Y	158.261	(157.908)
£ Index	80.4	(same)

■ DOLLAR

New York lunchtime:		
DM	1.497	
FFr	5.1255	
SFr	1.2475	
Y	97.275	
London:		
DM	1.497	(1.4954)
FFr	5.1302	(5.126)
SFr	1.2465	(1.2455)
Y	97.215	(96.995)
$ Index	60.8	(same)

Tokyo close Y 97.49

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira60	S. Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Estonia	EKr 20	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00		
Finland	FM14	Kuwait	Fils.625	Poland	Zl36,000	Tunisia	Din1.500		
France	FFr8.50	Lebanon	US$1.50	Portugal (mTand)	Es225	Turkey	L30000		
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00		

 No 32,506 Week No 43 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Morgan Stanley in Chinese investment bank deal

By Tony Walker in Beijing

Morgan Stanley of the US and the People's Construction Bank of China agreed yesterday to set up China's first international investment bank, aimed at making it easier to raise capital abroad to satisfy the country's huge funding requirements for economic development.

The bank, to be known as China International Capital Corporation Limited (CICC), will also be used as a model to help to introduce new investment banking techniques to an antiquated financial sector undergoing reform.

Mr John Mack, president of Morgan Stanley Group, the US investment bank, said at a signing ceremony in Beijing that the CICC would be well positioned as a conduit for a country with a "tremendous appetite for international capital to fund its economic expansion and the development of its infrastructure".

Partners in CICC, whose initial capital is $100m, include the People's Construction Bank with a 42.5 per cent stake; Morgan Stanley with 35 per cent; and three other shareholders, each with 7.5 per cent.

The minority shareholders are: the Government of Singapore Investment Corporation (GSIC); the China National Investment and Guarantee Corporation, a Chinese investment guarantee institution; and the Mingly Corporation, a Hong Kong-based investment company.

The investment bank, to be based in Beijing, will also advise Chinese state enterprises on restructuring, assist in project financing and corporatisation – turning state enterprises into western-style corporations – and help foreign investors to make direct investments in Chinese enterprises. CICC plans to make its own investments in China.

Morgan Stanley representatives said the People's Construction Bank was an "obvious choice" as partner because it is China's biggest lender for infrastructure projects. The bank, for example, has been responsible for 80 per cent of the funding for power projects.

The People's Construction Bank, one of China's "big four" specialised banks, will "identify investment opportunities in infrastructure projects and industrial facilities, introduce potential restructuring, corporatisation and mergers and acquisitions candidates and [seek out] Chinese partners for joint ventures", according to Morgan Stanley.

Mr Edwin Lim, an adviser to Morgan Stanley and a former director of the World Bank, said the ultimate objective for CICC was to develop a "full service investment bank". Mr Lim described CICC's establishment as an "important step" in opening China's financial institutions to external influence.

"The People's Bank of China [China's central bank] obviously sees this as a way of financial institutions learning new management techniques," he said.

Among the bank's tasks, Mr Lim added, would be to "improve the efficiency" of China's capital inflow for infrastructure and basic industries. CICC would also serve as a "model" financial institution and bring investment banking technology into China.

Australia raises official interest rate

By Emilia Tagaza in Melbourne and Peter Montagnon in London

The Reserve Bank of Australia yesterday raised its official money market interest rates by 1 percentage point to 6.5 per cent. It was the second rise in less than two months even though the annual inflation rate is only 1.7 per cent.

The move adds Australia to the list of countries, including the UK and the US, which have tried to tighten policy early in an effort to ward off rises in inflation.

Financial markets had been expecting a move, but were surprised at the size of the increase. The equity market responded with a rise of 2.8 points in the Sydney All Ordinaries Index to 2,037, while the yield on 10-year government bonds eased 13 basis points to 10 per cent.

The Australian dollar gained half a US cent in European trading to 73.66 cents, but it failed to break the 74 cent barrier. London dealers said there was concern that inflation data for the quarter to the end of September, due to be published tomorrow, might show price rises accelerating.

"The decision was taken to keep inflation low in the context of continuing evidence of strong economic growth and because buoyant conditions are likely to continue through the current year and 1995-96," said Mr Ralph Willis, the Australian treasurer.

The move has echoes of the UK's decision to raise base rates by a half point in September, and its size contrasts with the quarter-point moves adopted by the US Federal Reserve when it started raising rates in February this year.

Australia's economy is growing at over 4 per cent. Mr Willis said government forecasts of a growth rate of 4.25 per cent in gross domestic product in the year to June 1995 now looked "a little bit pessimistic".

There would be "real problems in terms of maintaining low inflation" if the growth rate moved over 5 per cent, he added.

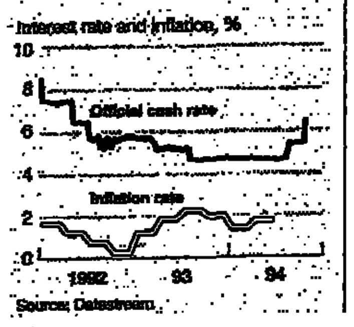
The increase was announced yesterday morning by Mr Bernie Fraser, the Reserve Bank governor, who said it was a response to a faster-than-expected increase in both retail spending and investment.

Interest rates were last raised by three-quarters of a point on August 17, the first increase for five years.

Australia seeks to keep the lid on inflation, Page 7; Currencies, Page 38; World stocks, Page 42

Australia

Interest rate and inflation, %



Source: Datastream

Germany begins coalition talks

Klaus Kinkel, the German foreign minister and leader of the liberal Free Democratic party, arrives for a meeting of his party's leadership yesterday to finalise demands for coalition talks with Chancellor Helmut Kohl.

Negotiations to form Germany's next government seemed likely to be smoother than expected after members of the FDP, which has kept the coalition in power since 1982, emerged from almost 14 hours of talks much more united than before they began.

Mr Kohl's party, the Christian Democratic Union, has said it wants negotiations completed quickly so that parliament can re-elect Mr Kohl as chancellor in the week beginning November 14.

Details, Page 2 Picture: Reuter

London and Dublin make progress on plans for talks

By David Owen in London

London and Dublin yesterday acknowledged that they still had differences over a proposed framework document for talks on Northern Ireland's future but said they had made progress on a co-ordinated approach to dismantling terrorist arsenals.

Mr John Major, the UK prime minister, and his Irish counterpart Mr Albert Reynolds met yesterday at Chequers, Mr Major's country residence. They were accompanied by Sir Patrick Mayhew, Britain's Northern Ireland secretary, and Mr Dick Spring, the Irish foreign minister

After the meeting, the two prime ministers said they had made "steady progress" in the joint framework document intended to promote talks involving Ulster's main constitutional parties.

But they acknowledged that sticking points remained and declined to set a date for the document's completion.

"There are still some very important issues that remain to be resolved," Mr Major said.

Mr Reynolds said: "You can take it that the gap [between the two sides] is narrower after today's meeting than it was yesterday."

Officials will continue talks today on what Mr Major described as the "logistics and mechanics" of arranging for weapons in the hands paramilitaries to be handed over.

Acknowledging that there were "self-evident difficulties" in the process, partly because weapons were hidden both in Ulster and the Irish Republic, Mr Major said: "Clearly it is desirable to have a co-ordinated approach."

He declined to say whether the handing over of weapons was likely to begin in advance of talks between the government and Sinn Féin to take place before the end of the year.

The Irish Republican Army has not yet agreed to hand over any weapons.

Questioned on his remarks last week, which appeared to irritate Dublin, that plans for an Ulster assembly were separate from the framework document, Mr Major said it would be a "misreading" to suggest he was trying to detach one from the other.

The process is seen as falling into three "strands". One covers the assembly; strand two concerns north and south relations; and strand three covers relations between London and Dublin.

Mr Major said on Friday that the framework document would cover strands two and three.

Mr Reynolds declined to say whether he would push for changes in the Irish constitution, which enshrines Dublin's territorial claim to Ulster.

Mr Major is thought to have told his Irish counterpart that hopes for an overall political settlement depended on a radical revision of this claim.

Moderate unionists, whose support is vital to the prospects for success of the two governments' efforts to forge a durable settlement in Northern Ireland, are widely expected to insist on such a move.

Producers resist 19m-tonne cuts

Brussels set to scrap rescue plan for steel

By Lionel Barber in Brussels, Andrew Baxter in London and Judy Dempsey in Berlin

The European Commission is expected to abandon its rescue plan for the steel industry today.

That would be belated recognition that European Union steelmakers are unwilling to make the minimum 19m-tonne capacity cuts to keep the plan alive.

The move – backed by the plan's two chief architects, Mr Karel Van Miert, competition commissioner, and Mr Martin Bangemann, industry commissioner – would remove the loose framework for curbing state aid to the steel sector.

But the impact of Brussels' withdrawal is likely to be softened by the steady recovery in steel prices and the fact that most private and state-owned steelmakers have increasingly sought market solutions to the industry's troubles.

Commission officials last night defended the two-year effort to conclude the steel rescue plan, which involved financial incentives and import relief for Europe's steelmakers in return for cuts of between 19m and 26m tonnes in their steelmaking capacity. Overall effective capacity is about 150m tonnes.

The first stage of the plan was agreed last December when industry ministers approved subsidies for state-owned producers in Spain, Italy and Germany in return for capacity cuts.

"Without the political framework of this plan, we risked having a free-for-all on state aid in a very fragile steel market," said one official. He estimated that the shortfall in capacity cuts might be at least 3.5m tonnes.

If the rescue plan is abandoned today, the December subsidies agreement will remain in place, but the Commission would drop its quarterly guidelines for production and delivery volumes;

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Ilva sale move.....Page 17

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NEWS: EUROPE

Kinkel seeks to smooth path to Bonn coalition

By Michael Lindemann in Bonn

Negotiations to form Germany's next government looked likely to be smoother than expected last night after the Free Democratic Party (FDP) emerged from almost 14 hours of talks much more united than before they began.

Mr Klaus Kinkel, foreign minister and leader of the small liberal party which has kept the present coalition in power since 1982, emerged from a meeting of the party's national executive to present a negotiating team which is unlikely to wrangle over details in talks with Chancellor Helmut Kohl's Christian Democratic Union (CDU) and its more conservative sister party, the Christian Social Union (CSU).

"We are not erecting barriers with demands that could not be fulfilled," Mr Kinkel said.

The opening round of the coalition negotiations between the three parties was due to begin last night. The CDU has said it wants negotiations to be rounded off as quickly as possible, clearing the way for parliament to re-elect Mr Kohl as chancellor in the week beginning November 14.

Mr Kinkel yesterday also won an easy victory over Mr Jürgen Möllemann, the former economics minister who leads the party in North Rhine-Westphalia, its most important state branch.

Mr Möllemann had tried last week to form a faction against Mr Kinkel, whom he blames for leading the party into its second worst electoral result, earlier this month, since 1949.

Some party members were also hoping that the FDP could use the coalition negotiations to extract a detailed catalogue of demands which would allow the party to present itself as the liberal force in German politics, a tag it may be in danger of losing to the Greens and other parties.

One issue which is bound to cause problems in the negotiations is the question of dual nationality for foreigners living in Germany. The CSU has said it will have nothing to do with such proposals.

Officials in Bonn said the coalition negotiations were likely to be led by the central negotiating team which includes the three party leaders. Time pressures meant little would be handed down to the sort of ad hoc committees created during the last negotiations in 1990.

CDU officials also suggested the negotiations would be broad brush and unlikely to go into great detail because every major legislative initiative would have to be designed to account for the mood in the Bundesrat, the upper chamber which represents Germany's 16 Länder and is controlled by the opposition Social Democratic party (SPD).

With negotiations about to begin it emerged that there may be legal challenges to the so-called "overhang mandates" which had helped swell Mr Kohl's majority.

Mr Hans Meyer, who teaches electoral law at Frankfurt university, said the 16 mandates, which were awarded to the CDU and the SPD in states where there were discrepancies between the parties' first and second votes, were unconstitutional. With the mandates Mr Kohl's majority jumped from two to 10 seats.

Mr Meyer said he would appeal to a parliamentary committee which oversees the elections and, if necessary, take the matter to the constitutional court in Karlsruhe. The Greens also said they would challenge the legality of the extra mandates, but the chairman of the parliamentary committee said last night that no such challenge had been made.

Germany's speaker urges greater role for parliaments in EU integration policy

Germany's parliament speaker yesterday urged parliaments to play a stronger role in European Union integration policy, Reuter reports from Bonn. Ms Rita Süssmuth told a meeting of MPs from the Twelve and from prospective EU members that legislatures, especially national ones but also the European parliament, had to join in debate ahead of a 1996 summit conference on strengthening the Union. "The negotiations by governments must never again take place out of view of the public, as happened with the Maastricht treaty," she said according to an advance copy of her speech. "The best understanding of democracy is that public interest is best represented by the participation of parliaments, which are elected for this purpose." The Maastricht accords on political and monetary union will be reviewed at the 1996 summit of EU leaders, who will have to decide on possible institutional reforms to bolster integration.

UN fury at Serbs' broken promise

By Bruce Clark

UN officials in Sarajevo, whose patience with all the Bosnian parties is wearing thin, reacted with fury yesterday when Serb officials reneged on a promise to allow free passage to 11 convoys of vitally needed fuel.

Mr Yasushi Akashi, the top UN envoy in former Yugoslavia, expressed his "outrage" to the Bosnian Serb leadership and won a pledge that one of the the convoys would be allowed to proceed, according to UN officials.

The so-called safe havens for Moslems which the UN has established in eastern Bosnia are virtually out of fuel and other essentials because the Serbs have not allowed any convoys through this month.

Meanwhile the Bosnian government army traded automatic fire with French peacekeepers as it began withdrawing from the positions which it recently established in defiance of the UN on the slopes of Mount Igman overlooking Sarajevo.

In principle, this withdrawal should marginally improve the atmosphere and clear the way for the convoys to start moving. But tension in the Sarajevo area was stoked by news that 11 Serb soldiers had been killed by the Moslem-led government army in a commando attack over the weekend.

UN officials say the row over the convoys is the latest sign that their own room for manoeuvre in Bosnia, which has never been large, is shrinking.

"The behaviour of both parties is getting worse," one UN official said. "Peacekeeping requires consent, and at the moment that consent is begrudging at best."

UN commanders believe the Bosnian Serbs, militarily vulnerable and isolated by their erstwhile protectors in Belgrade, are taking out their frustration on the peacekeepers.

UN officials have also been irritated by what they view as provocative behaviour by the Bosnian government, which has – in their view – taken advantage of the almost uncritical support it enjoys in Washington.

Washington, frustrated by its allies' reluctance to authorise arms supplies to Bosnia, has been emphasising its strong political commitment to the leadership in Sarajevo, and keenness to see tougher use of air power against the Serbs.

US officials are pointing to the hardship endured by Moslem civilians as an argument for stepping up support to their government. But UN workers privately retort that the Sarajevo leadership does not always co-operate with their efforts to relieve civilian suffering.

General Sir Michael Rose, the UN commander in Bosnia, threatened at one point last month to invoke Nato air strikes against the government army. But he later had to admit that this threat was not a plausible one, given that the US – Nato's most powerful member – would never allow its aircraft to be used for that purpose.

Andrew Jack reports on moves to stem the flow of criminal cash through the principality

Monaco acts to cut down dirty laundry

While most towns have street signs that direct visitors to tourist attractions, in Monte Carlo they come with a difference: the majority point to banks.

Monaco's ability to attract capital makes itself quickly apparent to visitors. It is in evidence in the expensive hotels and restaurants, in the glamorous jewellery adorning those walking the streets, and above all in its ornate, chandeliered casinos.

But there is a less pleasant aspect to some of the cash that gushes through the peaceful city state. By virtue of its location, tight banking secrecy rules and pace of economic growth, Monaco has in the past attracted more than its fair share of the "dirty money" of drug dealers and other criminals.

The strength of the financial network in the principality is clearly visible from the presence of a vast network of French and international banks – some 45 separate institutions, and many more individual branches in an area less than two kilometres square.

Mr Pierre Fond, deputy head of Tracfin, the French agency created three years ago to track clandestine financial movements, says that dirty money does not often arrive directly in the form of cash deposited into banks or other deposit-taking institutions such as bureaux de change. Instead, it may be used to buy property, or fed through "front companies" in sectors such as those in construction and tourism with high cash turnover.

Equally, not all the money being laundered is drug-related. Growing trends include the emergence of subsidies or kick-backs on public works contracts, and fraud related to the European Union's agricultural programmes.

Investigators point to the east when seeking the origins of much of the dirty money: just over the border along the southern coast of France lies Italy, and Mafia money. However, money is now coming from criminal activity further afield, notably in eastern Europe.

Mr Jean Pastorelli, financial and economic adviser Monaco's government, denies that the principality has a money laundering problem of any great size or that the state is ignoring the issue. However, a senior banker admits that "of course, it goes on", adding that the authorities have clamped down in recent years in an effort to preserve Monaco's reputation.

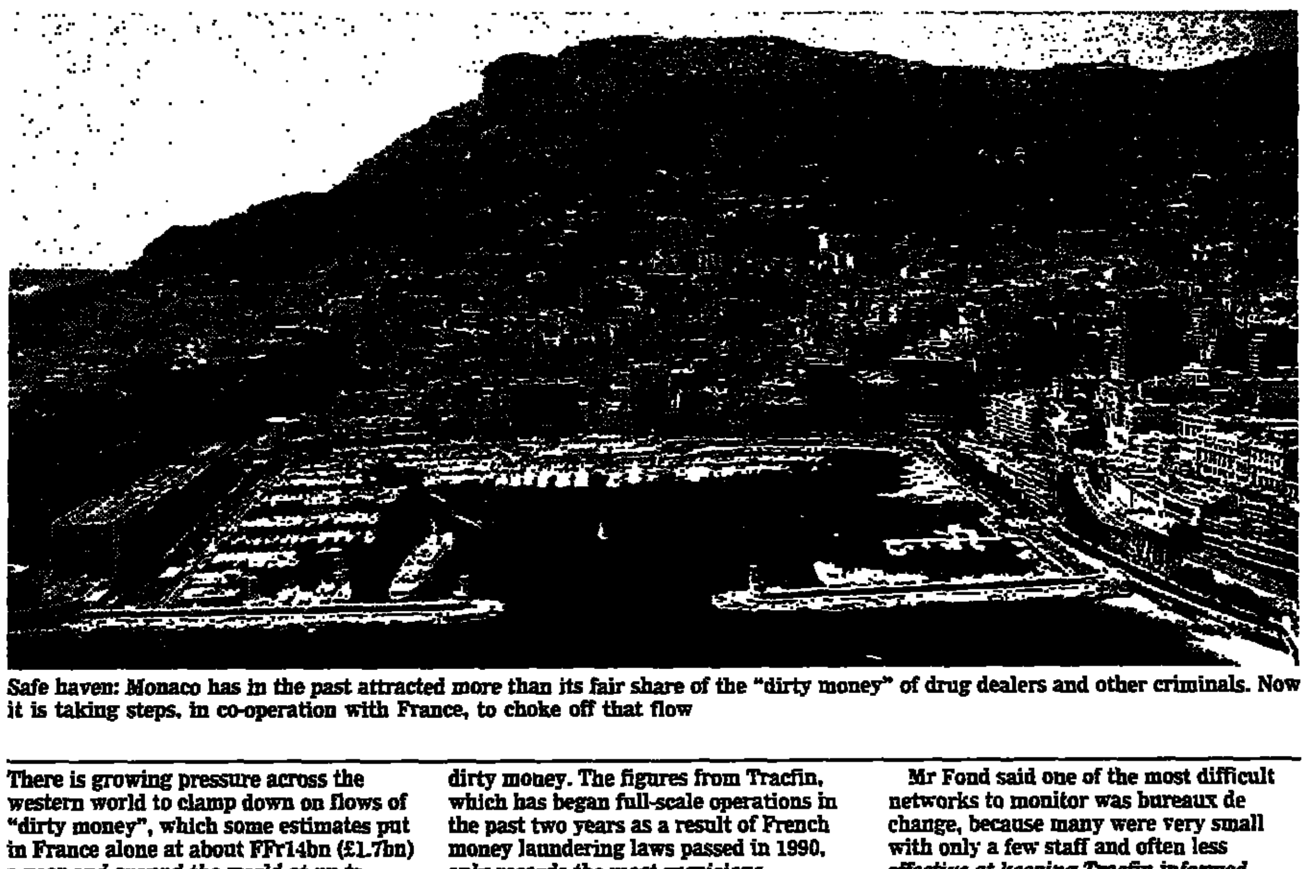
Mr Fond says the principality presents no more of a problem as a conduit for dirty money than do many parts of France or nearby states. But a report last year by a French government commission examining ways to combat the advance of the mafia highlighted the role of Monaco, along with that of Switzerland and the Channel Islands, as important centres through which money could be laundered en route to France.

Certainly Monaco has seen the need to follow a trend emerging among other countries, triggered by a Group of Seven group on money laundering. It introduced new legislation last year and has set up Siccfin, an agency akin to France's Tracfin designed to follow the movement of suspected dirty money.

Last week, the French and Monégasque authorities also signed a co-operation agreement between Siccfin and Tracfin similar to those between France and Belgium, Australia, the US and Italy. Its precise wording is confidential, but it permits for the first time an official exchange of information, which can be used to help track criminals and form the basis for prosecutions.

Mr Fond would like equivalent accords with countries such as Switzerland and Luxembourg. Bringing criminals to justice is very difficult since the law requires considerable evidence, including the need to prove the original criminal act which generated dirty money – an act which often took place in another country.

While Monaco's attempts to prevent money laundering may have been improved, one aspect of the accord should also help maintain its position as an important "offshore" centre. The agreement explicitly forbids any financial information passed between the criminal investigators to be handed on to fiscal agencies. Tax evaders will continue to enjoy a high level of banking secrecy.



Safe haven: Monaco has in the past attracted more than its fair share of the "dirty money" of drug dealers and other criminals. Now it is taking steps, in co-operation with France, to choke off that flow

There is growing pressure across the western world to clamp down on flows of "dirty money", which some estimates put in France alone at about FFr14bn (£1.7bn) a year and around the world at up to FFr1,000bn, writes Andrew Jack.

Mr Pierre Fond, deputy head of the French Tracfin agency which tracks clandestine financial movements, says his organisation has referred 55 cases involving more than FFr1bn in suspected money-laundering operations to the courts over the past two years. It still now receiving about 60 tip-offs each month from financial institutions of flows of dirty money. The figures from Tracfin, which has began full-scale operations in the past two years as a result of French money laundering laws passed in 1990, only records the most suspicious transactions. Mr Fond says that is one reason why the monthly reports coming into the agency are still substantially less than those for its counterparts in countries such as Britain.

Tracfin's 25 agents work with about 4,000 "correspondents", one in each of the financial institutions such as banks who monitor flows of money which might be linked to criminal activities.

Mr Fond said one of the most difficult networks to monitor was bureaux de change, because many were very small with only a few staff and often less effective at keeping Tracfin informed.

He said money laundering prosecutions were often frustrated because it was necessary to prove the original crime – often committed in another country – as well as all the subsequent flows of money following from it. Also current legislation allowed the agency to act only against laundering activities from drug money and not other illegal activities such as fraud or public sector corruption.

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Russia says economy will overcome instability

By John Thornhill in Moscow

Russia may achieve the basis for economic stabilisation in 1995 despite the recent turbulence on the currency markets and a further contraction of output, according to an economics ministry forecast presented to parliament yesterday.

The ministry predicted that the fall in gross domestic product would slow to 6-8 per cent next year but that this would mask strong growth in Russia's services sector, which some economists suggest is only inadequately recorded in official statistics. An accompanying finance ministry report forecast the year-on-year inflation rate would fall to 27-30 per cent by the end of 1995, compared with 180 per cent in 1994, 840 per cent in 1993 and 2,000 per cent in 1992.

"This bears witness to the first signs of stabilisation, or at least the basis for stabilisation," the economics ministry report said. Mrs Tatyana Paramanova, the newly-appointed acting head of the central bank, vowed she would use Russia's foreign exchange reserves to defend the rouble, introducing greater exchange rate stability. In her first interview since being nominated last week by President Boris Yeltsin, she also promised to create a modern banking system in Russia, commensurate with the size of the country, and to develop effective monetary policy instruments.

However, the government's relatively tough budgetary stance – symbolised by a frugal draft budget for 1995 – will be severely tested in the coming weeks as opposition intensifies. Parliament, which has been incensed by the rouble's volatility, will hold a confidence vote on the government on Thursday and some deputies are likely vigorously to oppose the 1995 budget draft.

The trades union movement has also called for a national strike on the same day to highlight the plight of thousands of workers who have not been paid for months. It was reported yesterday that 73 workers had gone on hunger strike in the Sverdlovsk region to protest about wage arrears at their military equipment plant.

Gen Pavel Grachev, the defence minister, has already turned up the political heat, claiming that the proposed 1995 defence budget of Rbs44,000bn was insufficient for the armed forces. Pressure from the defence, heavy industry and agriculture lobbies has already resulted in a sizeable increase in credits this year.

The economics ministry report forecast Russia's trade surplus would rise from \$18.3bn in 1994 to \$19.1bn next year – although this may reflect a sharp projected fall in imports following the rouble's depreciation.

NEWS: EUROPE

EUROPEAN NEWS DIGEST

Brussels probes plan for Italy steel takeover

The European Commission has raised "serious doubts" about the competition implications of a German-Italian bid for the special steels division of Ilva, Italy's state-owned steel producer. The German-Italian consortium won the bid for the division, Acciai Speciali Terni (AST), in June, outbidding Franco-Italian competitors with an offer of almost L600bn (£240.5m). Yesterday, however, Brussels opened an in-depth investigation into the offer, on the grounds that the merged group could dominate the European stainless steel market.

The inquiry, which follows a one-month preliminary examination of the bid, could last up to four months, casting further doubt over the Italian state's attempts to privatise the steel sector. Usinor Sacilor, the French steelmaker involved in the rival consortium, warned in June that it would complain to the European Commission if the German-Italian offer was approved by Iri, the Italian state holding company. The winning consortium is led by Krupp Hoesch, Germany's second biggest steelmaker, which would control 50 per cent of AST. The rest would go to three Italian steelmakers, Riva, Agarini and Falck. After the acquisition of AST, Krupp Hoesch's share of the European stainless steel market would rise from 27 to 43 per cent.

The German company's 50 per cent stake in AST was to have become part of a joint venture between Krupp Hoesch and Thyssen, Germany's largest steelmaker, which came into being on October 1. There are suggestions that Krupp's offer of a joint venture to take over AST also encouraged Riva to withdraw its offer for Eko Stahl, the ailing eastern German steel mill in which it had an interest earlier this year. *Andrew Hill, Milan and Michael Lindemann, Bonn*

Jail term for Cantabria chief

Mr Juan Hormaechea, the conservative chief executive of Cantabria in northern Spain, yesterday became the first head of a Spanish regional government to face a jail term in connection with corruption charges. After a long running legal battle, Mr Hormaechea – a controversial local populist and former mayor of the port of Santander, the capital of the Cantabria region – was sentenced by a Santander court to six years on charges of embezzlement linked to construction contracts he awarded in 1991. His imprisonment was delayed, however, pending his appeal to the supreme court in Madrid. The sentence is an embarrassment for the opposition Partido Popular (PP). The party had backed Mr Hormaechea when he was first elected chief minister in Cantabria's 1988 regional elections as an independent on the PP ticket, and has since failed to persuade him to resign. In 1992 Mr Hormaechea, who was already facing judicial investigation, formed his own party to fight the regional elections and was re-elected chief minister with PP support. *Tom Burns, Madrid*

National strike halts Malta

A one-day national strike ordered by Malta's 43,000-strong General Workers' Union (GWU) yesterday paralysed most of the island, bringing public transport, international flights, banks, dockyards, many municipality services and several hotels and factories to a halt. Most shops also remained closed. The strike was ordered in protest at the planned introduction of value added tax next January. Premier Fenech Adami pushed the measure through parliament in July and has shown no signs of wanting to modify the January deadline.

Buoyed by yesterday's successful stoppage, Mr Anglu Fenech, GWU secretary, said his union clearly enjoyed national backing in its opposition to VAT, which it claims will increase the island's cost of living and erode wages. The strike was backed by the opposition Labour party and the general retailers' and traders' union. The government viewed the stoppage as a political move aimed at increasing polarisation between supporters of the ruling Nationalist party and the Labour party. *Godfrey Grima, Valletta*

Bulgarian economy warning

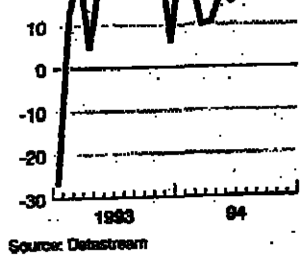
Failure to privatise banks swiftly and halt massive loans to loss-making state enterprises threatens to wreck Bulgaria's fragile financial system, Mr Todor Valchev, head of the national bank, warned yesterday. Mr Vachev, reported by the state news agency BTA, told a meeting of bankers that political infighting and lack of a strong government "paved the way for uncontrolled plundering of the country's financial resources". He added: "The clandestine privatisation that is under way is very dangerous." Continued big loans to technically bankrupt state enterprises were a direct result of the failure to privatise the communist-era banking system. Among the biggest factors holding back privatisation in banking itself was the dilemma of how to deal with "the huge amount of non-performing loans". Under government pressure, banks over the past four years had continued lending money to loss-making industrial concerns. *AP, Sofia*

Red faces over Irish shares

Ireland's coalition government has been embarrassed by the revelation that a cabinet minister with responsibility for the mining industry was an investor until last week in a mining company seeking a licence for a I£50m (£49.4m) lead and zinc mine in County Kilkenny. Mr Brian Cowen, the Fianna Fail minister for transport, energy and communications, has been forced to sell his shares in the company, Arcon, after his interest was disclosed by Irish newspapers. He sold the shares for less than half the I£960 he paid for them four years ago. The government's embarrassment comes at a time when an ethics bill sponsored by Labour, the junior partner in the coalition government with Fianna Fail, is making its way through the Irish parliament. The bill requires Irish members of parliament and government ministers to disclose their interests. Arcon's largest shareholder is Mr Tony O'Reilly, the Heinz chief executive and Irish newspaper owner, who owns 22.6 per cent of the company. *John McManus, Dublin*

ECONOMIC WATCH

Orders rise in eastern Germany



A sharp rise in consumer spending during August helped boost orders for east German manufacturers, the federal economics ministry reported yesterday. At the same time, the Bundesbank's September report showed that real gross domestic product in east Germany rose by 9 per cent in the first half of this year over the previous year. "On the basis of a very low level of economic activity, eastern Germany has developed into a growth area," it said. According to the economics ministry, on a month-to-month basis manufacturing orders in August rose 4.5 per cent and increased on a year-to-year basis by 25.5 per cent. *Judy Dempsey, Berlin*

■ European Union industrial production rose by 5.4 per cent in July compared to a year earlier. The Eurostat statistics agency said this was the sixth consecutive monthly rise. Seasonally adjusted production from May to July was 1.8 per cent higher than in the preceding three months.

■ Austria's inflation dropped from 3.2 per cent in August to 3.1 per cent in September. The current account deficit continued to narrow in August, reaching Sch100m (£5.9m) from a deficit of Sch4.4bn in July.

Poll shock puts Pasok in leadership dilemma

Kerin Hope on the search for a successor to the ailing Papandreou

The defeat of Mr Theodoros Pangalos, Greece's former European affairs minister, in Sunday's run-off poll for mayor of Athens amounts to more than a temporary embarrassment for the governing Socialists.

It complicates a succession struggle now gathering momentum in the Panhellenic Socialist Movement (Pasok) as Mr Andreas Papandreou, 76, the prime minister, prepares to hand over the leadership, probably next spring.

That is when Mr Papandreou is expected either to seek the presidency (a largely ceremonial post) through a vote in parliament, or, if his health worsens further, to retire from politics.

Until Sunday, Mr Pangalos was the frontrunner to take over the helm of Pasok. His colourful personality, including a talent for putting down political opponents in a few words, appealed to the party's populist faction, offsetting the image of an intellectual more at home in Paris than Athens.

It was always going to be a close race in Athens where voters, as well as being wealthier and more conservative, have few inhibitions about showing their dissatisfaction with the government. Mr Papandreou did his best to shorten the odds with a last-minute offer to inject an extra Dr40bn (£107m) into the city budget for 1995.

But Mr Pangalos's personal attacks on his conservative opponent, Mr Dimitris Avramopoulos, an ex-diplomat who entered politics last year, clearly backfired. The leftwing voters whose support he needed in the run-off deserted in droves, casting blank ballots or switching to Mr Avramopoulos, who won 54.4 per cent.

Such a heavy defeat marks a personal failure for Mr Pangalos, especially when the Pasok candidate managed to edge out a conservative in the run-off poll for governor of Attica, the district that includes Athens. Overall, too, the local government election results showed the Socialists maintaining a lead of around five percentage points over the conservative New Democracy party.

Other candidates for the Pasok leadership are now back in the picture, though Mr Papandreou is not likely to give any immediate indications of his preference.

Potential contenders find it hard to jostle for favour in Pasok's byzantine atmosphere, with Mr Papandreou distanced from political associates by weak health and his wife Dimitra, who restricts access to him in her role as head of the premier's personal office.

Few prominent Socialists seem capable of bridging the divisions between the party's populists – who are nationalist and insist on state participation in the economy – and the younger pro-European technocrats.

Mr Gerasimos Arsenis, the defence minister, has tried to build support among the nationalists, while Mr Costas Simitis, the industry minister, is close to the pro-Europeans. In the year since the Socialists returned to power, both have been cultivating alliances in Pasok's central committee and in grassroots party organisations.

However, both men are tainted in the eyes of Pasok supporters by having quarrelled with Mr Papandreou in the past.

Recently, Mr Papandreou has a given a free hand in policy-making to several younger cabinet ministers, among them Mr Yannos Papantoniou, the economy minister who is enthusiastically re-launching privatisation in Greece.

The alternative to nominating a successor would be for Mr Papandreou to hand over power to a collective leadership. It would probably have to be led by the hard-working Mr Akis Tsochatzopoulos, Pasok's secretary general and Mr Papandreou's most loyal political colleague.

Basque elections strike further blow at González

By Tom Burns and David White in Madrid

An attempt by Prime Minister Felipe González to regain the political initiative has suffered a significant setback in regional elections in the Basque country, where conservatives and communists made strong gains at the expense of his Socialist party.

The Basque elections on Sunday were won, as expected, by the mainstream nationalist party, the Partido Nacionalista Vasco (PNV), which regained the 22 seats it had held in the outgoing 75-member regional parliament. But despite an active campaign by Mr González, the Socialist party, which had been the junior coalition partner in the PNV-led Basque government, lost four of its 16 seats in the local legislature, their worst electoral result in the region.

In a highly fragmented vote that will make the creation of a new governing majority difficult, the conservative Partido Popular (PP) gained 11 seats, up from six, and the communist-led Izquierda Unida group (IU), which previously had no members in the Basque parliament, returned six.

Sunday's poll underlined the sharp fall in support for the prime minister that emerged last June when the PP established a 10-point lead over the socialists to win the European parliament elections, and when both the PP and IU doubled their vote in Andalucia, Mr González's home region, causing the Socialist party to lose its majority in local elections held on the same day.

Mr González, who was returned to power for a fourth term in 1993 although without an overall majority, is blamed for a severe recession that has raised unemployment to a record level and for a series of corruption scandals that rocked his government earlier this year.

June's defeats propelled the often reclusive prime minister into a hectic schedule of parliamentary appearences, public meetings, television "fireside chats" and media interviews. However, PP leader Mr José María Aznar said yesterday the Basque poll had confirmed "the unstoppable decline of the socialist vote".

Analysts said the socialists had probably been penalised in the Basque elections for co-opting a local left-wing party, Euzkadiko Ezkerra, on to its ticket and campaigning for the "ethnic" Basque vote. Traditional socialist voters in the area are mainly immigrants from elsewhere in Spain or their descendants.

Mr González's popularity will next be tested in municipal elections in May, as well as in polls to elect new parliaments in 13 of Spain's 17 autonomous regions.

The responsibility for leading the Basque executive, meanwhile, falls once more to the PNV, which has governed the area, either on its own on in coalition with the socialists, since 1980.

Black votes seen as key to Virginia race

By Jurek Martin in Washington

The vitriolic race in Virginia between Democratic Senator Charles Robb and Mr Oliver North has finally focused on the constituency which could determine the outcome on November 8 – the black voters who comprise 18 per cent of the state's population.

Both men campaigned at black churches in Richmond, the capital, on Sunday. Mr Robb was in the company of Mr Doug Wilder, the black former Democratic governor who last week, after intervention by President Bill Clinton, finally endorsed his long time bitter rival.

Mr Wilder said his appearance with Mr Robb was "no idle gesture" and promised to stump for him constantly in the remaining two weeks. The church's pastor told the senator, "we are receiving you with delight because we believe, Brother Robb, that your opponent is bad news".

Mr North, who enjoys the adulation of the predominantly white Christian Coalition, told his church audience that he believed in the power of prayer and that the Bible is "the only book I've ever read more than once."

The latest polls cannot separate the two, with Mr Marshall Coleman, the independent candidate and a former Republican lieutenant governor, trailing. This means that neither Mr Wilder's withdrawal from the race in September nor the continued presence of Mr Coleman on the right has yet dented the North bubble, as had been expected.

Persuading black voters to turn out on November 8 may be crucial. The assumption had been that they would stay away from the polls in large numbers, which could only help Mr North.

Each day in this ferociously negative and expensive campaign, whose cost, already over $20m, has only been exceeded by the Senate race in California between Senator Dianne Feinstein and Congressman Michael Huffington, brings new charges and accusations of lying.

Mr North alleged last week that Mr Wilder's endorsement was only obtained by the promise of an ambassadorship from Mr Clinton. This produced a furious denial by the White House.

The Republican candidate also had to fend off a story in the Washington Post that suggested he may have connived at trafficking in narcotics while he was running the Iran-Contra operation from his position on President Reagan's national security council.

But the former Marine lieutenant colonel has been unabashed in his onslaught on Mr Robb. Last week he said his opponent's own military career, also in the Marines, was spent more on ceremonial duties than on active service. His commercials, featuring massage parlours and cocaine dealers, repeatedly recall Mr Robb's confessions of marital infidelity and some dabbling in drugs.

The dour Mr Robb, while never neglecting to recall Mr North's criminal conviction in the Iran-Contra scandal which was only overturned on a legal technicality, has often seemed almost passive. The charitable calculation is that he believes Mr North's extremism will turn more voters off than on.

Foreign investors renew interest in US real estate

By Nancy Dunne in Washington

Foreign investor confidence in US real estate has rebounded, with Atlanta and Washington DC heading the list of most desirable cities for investment, according to a survey.

The findings, by the Association of Foreign Investors in US Real Estate (Afire), contrast sharply with reports that Japanese investors have been trying to off-load assets acquired in the 1980s buying spree.

"There have been rumors that the Japanese are trying to sell but no evidence of it," said Mr James Fetgatter, chief executive of Afire, an organisation which represent about half the foreign investment in US real estate. "Japanese investment has remained at the same level for the past four years."

Most of the new investment is coming from Europe. The Afire survey found 46 per cent of respondents planning to increase US holdings, a 14 per cent from 1993. An equal number said they would maintain investment levels, while 8 per cent said they would reduce their holdings

The survey also reveals a comeback among real estate investment trusts (REITS), which suffered widespread losses in the 1970s.

The results of the survey seem in line with industry experts' reports. Mr Randall Rowe of Equity Financial Management, a national office property company, said the overbuilt commercial property market was showing signs of recovery, particularly in Denver and Boston. "In many cities this may be the last opportunity to lock in cheap space," he said at a recent Afire conference. Mr Raymond Torton of Torto/Wheaton Research said office vacancy rates, currently 16.3 per cent, would fall to no less than 12 per cent in 1995 and could drop to 3.1 per cent by 1999 without a return to overbuilding.

Atlanta, which ran second in the Afire survey in 1993, was ranked as the most viable city for foreign real estate investment, followed by Washington, New York, Phoenix, and Charlotte, North Carolina.

Loose guns mar US effort in Haiti

Aristide opponents hold up to 15,000 weapons. Ted Bardacke reports

Since the return of President Jean-Bertrand Aristide, a rash of new graffiti has appeared on walls around Port-au-Prince. "US Army stay for 50 years to change system," one red spraypaint slogan spells out.

The plea appears to be in vain. The US has no intention of keeping troops here for very long, and wants to turn the Haiti operation over to United Nations peace-keeping forces within six months. But while US forces are here, many, including UN military planners, complain that US soldiers are leaving too much of the old repressive system intact by failing to arrest and disarm many of Aristide's most rabid opponents.

Since the US occupation of Haiti began five weeks ago, about 11,000 weapons, some as powerful as anti-tank grenades, have been seized from Haitian civilians. Even the most conservative estimates put the number of weapons still in the hands of Aristide opponents at around 15,000. . At night and in isolated areas not firmly under the control of US forces, these arms are being used by Aristide opponents to "perpetrate some of the little incidents of violence that are occurring every day in Haiti," according to US military spokesman Col Barry Willey.

"We are supposed to take over a stable environment but with all those weapons and bad guys still out there I would say it's more like enforcing a truce," says a UN commander here on a reconnaissance trip. "We would like to see some more forceful disarmament before we arrive."

Around the capital, tipping off the US military about suspected weapons hideouts is often an exercise in futility. Early last week, Berel Jenestile, an Aristide supporter who recently came out of hiding, flagged down a convoy of military police in the streets of Port-au-Prince to tell them of a arms cache he had seen being hidden in the hills

Haitians swarm over a dump truck at a landfill in search of food including discarded US army rations AP

around the hamlet of St Jude, located just outside the capital. Staff Sergeant Innocenzo Schiavo dutifully filled out a report but was not optimistic anything would be done: "Its got to be cross-referenced, cross-checked, screened, processed and synthesised with other military intelligence before a search might be ordered."

US officials, still afraid of Somalia-like "mission-creep", insist that policing and investigatory work is the job of the still largely non-existent Aristide government. Arrests and raids are made only when the security of US troops is threatened or a US soldier directly witnesses a heinous crime being committed.

"We have to get away from the perception that we have the capability to check out everything," says Col Willey, adding that 75 to 80 per cent of the raids in the capital come up empty. Mistaken and awkward raids on a UN child-vaccination clinic and a famous botanical garden have made the US military even more reluctant to act.

But equally embarrassing has been a case in Miragoane, where a bus crashed into a pro-Aristide demonstration, killing 12. US troops arrived on the scene, took pictures and statements from witnesses and obtained the license plate numbers of the bus. US forces say that information has not been followed up on. Civilians armed with automatic weapons can still be seen patrolling the roads outside Miragoane.

"The US forces have the leads necessary to do normal investigative work," says Mr Ira Kurzban, a lawyer for President Aristide. "We are not saying that they should search every house in the country, but they should act on information."

Capt Mark Adams, head of military intelligence for the region encompassing Miragoane, counters by saying that "there is a line that has to be drawn between military and civilian roles. Our information about the bus crash will be turned over to the Haitian police and judicial system, when there is one. We've got to force the judicial system to get on line, because eventually it will be Haitians who will have to deal with their own problems."

In the capital, less than 50 per cent of police officers show up for work each day and of those, only about half can be persuaded to go out on patrol, fearing their own safety. One late afternoon at the Cafeteria police station, Mr Alexi Charles walked in to report that he had been robbed by a black market money changer. Mr Charles says he was told by the desk sergeant to come back the next day, because police were not making arrests after 6 pm.

Some of those arrested by the US military, including Haitian military officers accused of human rights violations, are eventually turned over to Haitian police, who often let them go for lack of a functioning judiciary.

The Aristide government, recognising that the uncollected guns are not likely to be used while the US military is in place, has said American forces can stay as long as Washington wants, leaving the decision up to the US Congress and the UN. Yet some are beginning to worry that the honeymoon between the US military and the Haitian people cannot last forever.

US commanders say that while normal infantrymen only patrol in Port-au-Prince to keep order, in the countryside, where three-quarters of Haitians live, special forces troops are working to break old habits of violence and develop local government structures for the UN to oversee.

"If we left now, people would be very unhappy. We still have a lot of work to do," says Capt Jim Mis, operational officer for special forces in Les Cayes, a city 250km south of Port-au-Prince. "But our goal is to make the situation stable enough so that we work ourselves out of a job."

President Jean-Bertrand Aristide was yesterday expected to name businessman Mr Smarck Michel as Haiti's prime minister, Ted Bardacke reports. The appointment would end speculation over who would assume the delicate task of forming a cabinet of national reconciliation. Mr Michel was minister of commerce under President Aristide in 1991 before a military coup. Mr Michel remained in Haiti during military rule but did not participate in government. A spokesman said the president's choice of prime minister from the ranks of those who remained in Haiti was a sign that he wanted a cabinet to reflect Haiti's diversity of political views.

US offers Cuba small hope for dialogue

By Pascal Fletcher in Havana

As Cuba and the US renewed talks on immigration issues in Havana yesterday there was little sign the meeting would satisfy initial Cuban hopes for a wider dialogue on the long-standing US-Cuban conflict.

The talks were scheduled to review progress of an immigration accord signed on September 9 that will sharply increase the number of Cubans allowed to migrate legally to the US each year. The September agreement halted an exodus by sea of thousands of Cubans trying to reach the US without entry visas.

Both sides have have expressed a willingness to make the immigration deal work, but Washington has resisted Cuban pressure for full-scale negotiations on bigger issues such as the US trade and financial embargo against the island.

Cuba's foreign minister Roberto Robaina admitted to a parliamentary foreign affairs committee on Saturday there were "no new elements" to suggest the mere continuation of the immigration talks would lead to immediate significant improvements in relations.

The US even appeared to have downgraded the importance of its delegation to the Havana talks. Instead of Mr Michael Skol, deputy assistant secretary of state, who took part in the September negotiations, the US team in Havana was led by a lower-ranking official, the head of the State Department's Cuba desk. Cuba is keeping its same chief negotiator, Mr Ricardo Alarcon, president of Cuba's National Assembly and a member of the Communist party politburo.

While the latest talks have no fixed agenda, Cuba was was thought likely to press for a quick start to the expanded US visa programme. The increased visa processing has been delayed because additional consular staff had to be sent to the US Interests Section in Havana to help cope with the extra work.

US officials say between 26,000 and 27,000 Cubans are expected to be granted visas to migrate legally over the next year, through accelerated processing procedures, expanded criteria for refugee status and an immigration lottery to start on November 1.

NEWS: WORLD TRADE

Daewoo to build cars in Romania

By Virginia Marsh in Budapest

Daewoo, the South Korean industrial group, has taken a 51 per cent stake in a $306m joint venture with state-owned Automobile Craiova (AC), Romania's second car manufacturer.

The deal is by far the biggest direct foreign investment in Romania since the end of communism in 1989. Total investment in the project, which aims to produce up to 200,000 cars a year by the end of the century, could rise to $900m, according to AC officials.

AC, which was set up with Citroën in 1976, will contribute its assets and factory in Craiova, 250km west of Bucharest, to the new venture, Rodae Automobile Daewoo. Korea's third car manufacturer will pay $156m for its stake. It will raise much of this from the sale of 20,000 cars on the Romanian market, Romanian privatisation officials said. Additional financing will come from the South Korean Exim bank.

Daewoo will initially assemble a version of its 1500cc Cielo model, a small family car, at the plant. From 1996, it also intends to produce a new small car presently under development. The investment is part of a $5bn Daewoo plan to quadruple its worldwide production capacity to 2m by the year 2000.

The company plans to build two lines to produce transmissions and engines at the Craiova plant. Initially the Cielo would be 35 per cent integrated in Romania, but local content would rise to 80 per cent by 1999. Daewoo aimed to export more than half of its production to western Europe.

Romania is one of six former east bloc countries with an association agreement with the European Union, giving it preferential trading rights with the EU ahead of full membership.

Romania amended its foreign investment law to offer the South Koreans generous investment incentives.

Japan speaks up for Asia region

William Dawkins reports on Tokyo's backing for a South Korean to head the WTO

Japan, increasingly torn between the US and Asia, has plunged into the campaign for dynamic Asia-Pacific economies to gain a bigger voice in the world trading system.

The Tokyo government's recent decision to back Mr Kim Chul-su, South Korea's trade minister, as candidate to head the new World Trade Organisation, marks a startling break with past reticence. Japan never openly declared support for a particular candidate in the searches for previous director generals of the WTO's predecessor body, the General Agreement on Tariffs and Trade (Gatt).

Its decision to come out in the open and support Mr Kim, rather than fall in with the consensus, is the latest example of Japan's tentative attempts to set its own agenda on international affairs.

"The global trading system should not be run by just a handful of nations from Europe and North America," explains a senior official of the Ministry of International Trade and Industry. Japan is not, he hastens to add, seeking a specifically Asian regional voice for the WTO, which it wants to be as global in its influence as the next man. Yet it is "welcome for an Asian to raise his hand".

Japan's candidate: South Korean trade minister Kim Chul-su

This marks another step in the shift of the country's formerly US-centred trade and foreign policy towards Asia, its fastest growing export market and investment destination. Last year, Japan's trade surplus with the region surpassed its surplus with the US for the first time. Ten years ago, Japan exported a third more to the US than to Asia; now the balance is the other way.

Fresh from defying Washington over bilateral trade, Japan, under its new Asian-oriented prime minister, Mr Tomiichi Murayama, is busy cultivating its nearest neighbours.

Until the world's second largest economy offered its support to Mr Kim, the South Korean was an outsider in the race for the WTO, despite his formidable record as a negotiator in the Uruguay Round. Against him are ranked Mr Carlos Salinas, former president of Mexico, likely to receive US support as a big player in the North American Free Trade Agreement; and Mr Renato Ruggiero, a former Italian trade minister backed by the European Union.

Apart from Japan, Mr Kim has backing from Australia, keen to lift the profile of the budding Asia-Pacific Economic Co-operation (Apec) forum, and of course from the Association of South-East Asian Nations (Asean). They back Mr Kim for very similar reasons.

An Australian trade ministry official says: "We are dealing with a different Gatt, with an enlarged membership, and in which a large share of the growth is coming from Apec. We don't want it to be too Euro-centred."

Yet privately, senior Japanese diplomats admit that even with support from Japan and Australia, Mr Kim may still be an outsider in the WTO race, due to be settled by consensus, probably by the end of November. Why, then, back him?

One theory, held in European diplomatic circles, is that Japan may be prepared to negotiate over Mr Kim in exchange for some other form of recognition of Asia-Pacific economies' importance in the WTO.

The truth, explains a senior retired Japanese diplomat, is much simpler. Tokyo can hardly say No to a South Korean candidate – who was after all put forward by his own government – at a time when Japan is striving to purge its wartime record in Asia. This, plus the growing importance of Japan's Asian export markets, has led to a sharp rise in the political influence of the Foreign Ministry's Asian affairs bureau. "It is almost taboo to say No to Korea," he explains.

Not that Japan's trade and foreign policy is as passive as it used to be. An independent line was clear when Mr Morihiro Hosokawa, former prime minister, refused in February to follow the time-honoured tradition of caving in at the last minute to US bilateral trade demands, in this case for numerical targets for import penetration.

To this must be added Japan's clearest statement yet, at the end of last month, of the conditions under which it wishes to become a permanent member of the United Nations Security Council. A smaller example is its willingness over the past week to deepen trade links with Taiwan, thereby risking China's anger.

All in all, it adds up to a Japan that looks as if it wants to take a more vigorous role in shaping the WTO than it did in Gatt.

Pakistan's PM reaches out to Turkmenistan

By Farhan Bokhari in Islamabad

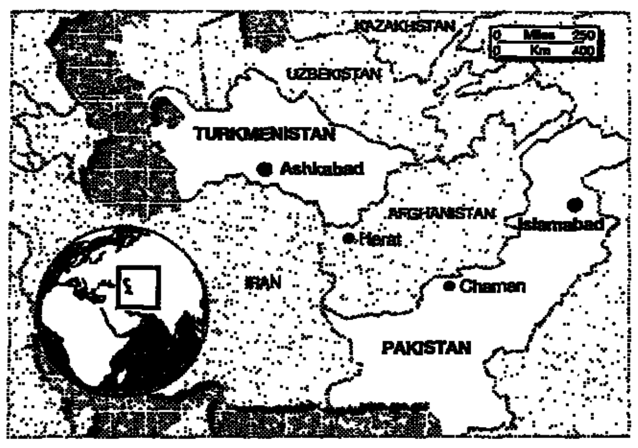
Pakistan tomorrow launches an effort to expand its trade with the former Soviet republics in central Asia with the arrival of Ms Benazir Bhutto, the prime minister, in Ashkabad, the capital of Turkmenistan.

The three-day visit, Ms Bhutto's first to the region, precedes plans to take a first convoy of trucks with Pakistani goods through Afghanistan to Turkmenistan, later this month.

Pakistan has been trying to expand trade with the newly independent region for almost three years. But continued fighting in Afghanistan has disrupted previous efforts. However, a visit last month to parts of Afghanistan by interior minister Naseerullah Khan Babar has enabled Islamabad to arrange deals with local warlords, who have given assurances of safe passage in return for still undecided local taxes, senior officials said.

Under the plan, the trucks will leave the border post at Chaman, in the Pakistani province of Baluchistan, before entering Afghanistan and then Turkmenistan via the western Afghan city of Herat. "Vested interests can help to turn the situation to our favour. When some Afghans realise that there's money in this affair, they'll co-operate," said a senior government official.

Pakistan hopes to export small consumer items such as soap, toothpaste, garments and leather products, which are apparently in short supply in ex-Soviet republics. In return, Islamabad wants to explore opportunities for the import of gas and oil from Turkmenistan and neighbouring countries.



Mr Ahmed Mukhtar, Pakistan's commerce minister, said that the prime minister's visit would open the way for trade but that it was up to business men to seek opportunities. More than 200 businessmen were expected to accompany Ms Bhutto to participate in a Pakistani export exhibition.

From Turkmenistan's side, the government of Mr Saparmurad Nayazhov has already expressed an interest in discussing the oil pipeline.

WORLD TRADE NEWS DIGEST

Minerals boost for W Australia

The value of Western Australia's mineral and petroleum exports rose by 3.5 per cent to A$12.9bn (US$9.4bn) in 1993-94 and is set to accelerate in the coming year, the state's resources development department said. Mr David Kelly, the department's chief executive, said the state accounted for 43 per cent of the value of Australia's resource exports of A$29.8bn, 44 per cent of Australian mineral production, 29 per cent of petroleum production and 57 per cent of new mining investment. Mr Kelly said exports to Asia continued to grow strongly. Resource exports to China and Korea rose 26 per cent to A$911m and A$1.16bn respectively. Exports to Taiwan grew 13 per cent to A$369m. However, exports to Japan fell 0.4 per cent to A$3.6bn, reflecting Japanese economic conditions and lower iron ore and gas prices. *Reuter, Perth*

Indian investments approved

India's finance ministry yesterday cleared 46 proposals worth Rs7bn ($223m) for foreign direct investment, increasing the total of foreign investment approvals in 1994 to around Rs36bn. Among the projects cleared, Du Pont, the US chemicals company, will establish a wholly owned subsidiary in India, as part of its ambitious expansion plans for the Indian market. Ciba-Geigy, the Swiss pharmaceuticals company, will collaborate with Hindustan Ciba-Geigy, its Indian affiliate, and Chong Kun Dang Corporation of South Korea, to manufacture Rimfampicin, a bulk drug used for the treatment of tuberculosis and leprosy. *Shiraz Sidhva, New Delhi*

Singapore to lose TV plant

Thomson Consumer Electronics (TCE), the French multinational, is closing down its colour television manufacturing plant in Singapore and moving operations to Bangkok and to Batam in Indonesia. Rising costs in Singapore are believed to be the main reason for the move. Mr Didier Trutt, a general manager of Thomson in Asia, said the TV manufacturing industry operated under severe cost pressures. "Expanding our manufacturing operations in Thailand and Indonesia, while strengthening our support functions at the regional headquarters in Singapore, makes good economic sense," said Mr Trutt. TCE first set up in Singapore in 1969 and has about 5,000 workers. About 900 employees at the Singapore plant will lose their jobs. *Kieran Cooke, Kuala Lumpur*

South Korea chip exports soar

South Korea exported semiconductor chips worth $8.83bn in the first nine months of this year, up 70.8 per cent from $5.17bn a year earlier, the trade ministry said. Brisk exports were largely due to enhanced competitiveness abroad because of the strong Japanese yen, ministry officials said. The ministry forecast semiconductor exports would reach $12bn for the year, up from $7.03bn in 1993. *Reuter, Seoul*

CONTRACTS

■ Trafalgar House, the British construction company, and Citra Lamtoro Gung Persada, an Indonesian construction company, were awarded a 27-year concession yesterday to build and operate a 56km toll road in west Java. The contract is worth a total of $600m. Citra Lamtoro Persada is owned by one of President Suharto's daughters.

■ Malaysia has awarded a M$700m ($273m) contract to build a hydroelectric facility to a joint venture company which includes a consortium from China. The 160MW plant will be built in Sabah state. A Sabah-based company, Bornion, along with the Chinese, will carry out the bulk of the work.

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NEWS: INTERNATIONAL

Asia 'may need to rely on foreign capital'

By Peter Montagnon, Asia Editor

Asia's high savings rates may be insufficient to finance the region's ambitious infrastructure spending plans in the medium term, forcing governments gradually to increase their reliance on foreign capital, according to a study by American Express Bank.

"The share of population living in the cities will have doubled between 1985 and 2010. This creates a huge demand for infrastructure," says Mr Tapan Datta, the economist who compiled the study.

Though savings rates are likely to remain high in line with economic growth, the region is unlikely to generate enough resources domestically to finance this development.

The need to import capital will weaken countries' current-account balance of payments, though the deficits should be manageable, the report says.

Some countries may also respond by policy moves to damp consumption in an effort to promote still higher savings rates.

The need to finance infrastructure will also stimulate further liberalisation of financial markets so that savings can be deployed more efficiently, Mr Datta said. This would include the development of domestic bond markets.

Singapore had the highest savings rate in the region last year at 48.3 per cent, the study adds. But China, Indonesia, Malaysia, South Korea and Thailand all enjoyed rates of about 35 per cent or more. The savings rate is personal, corporate and government savings measured as a proportion of gross domestic product.

The greatest need for foreign capital will face those countries such as Pakistan and the Philippines where savings rates, at 13.5 and 14.6 per cent respectively, and living standards are low. Such countries may need to maintain high real interest rates that curb economic growth.

Outside Japan, the Asian demographic cycle will continue to support high savings rates as population growth slows and the proportion of people dependent on savings declines.

The bank says that Japan's high savings rate, of 32.8 per cent last year, in part reflects the recent fall in land prices. The savings rate slowed when land prices rose sharply in the late 1980s and may be expected to do so again when land prices stop falling.

Saving rates may fall in Japan as the proportion of retired people in the population increases, though the effect is likely to remain small until the turn of the century.

After that, the number of retired people in the population will rise sharply.

Australia seeks to keep the lid on inflation

Move by Willis decouples the country's policy from that of the US, write Nikki Tait and Emilia Tagaza

Yesterday's full-point rise in Australian short-term interest rates was not only larger than expected. It represents a significant change of heart for Australia's official monetary policy.

Just four months ago, Mr Paul Keating, the country's prime minister, was berating bond market traders for punting on a rise in Australian rates.

Both he and Mr Ralph Willis, the Australian treasurer, were insistent that with little sign of inflationary pressure in the economy, low rates were necessary to stimulate business confidence.

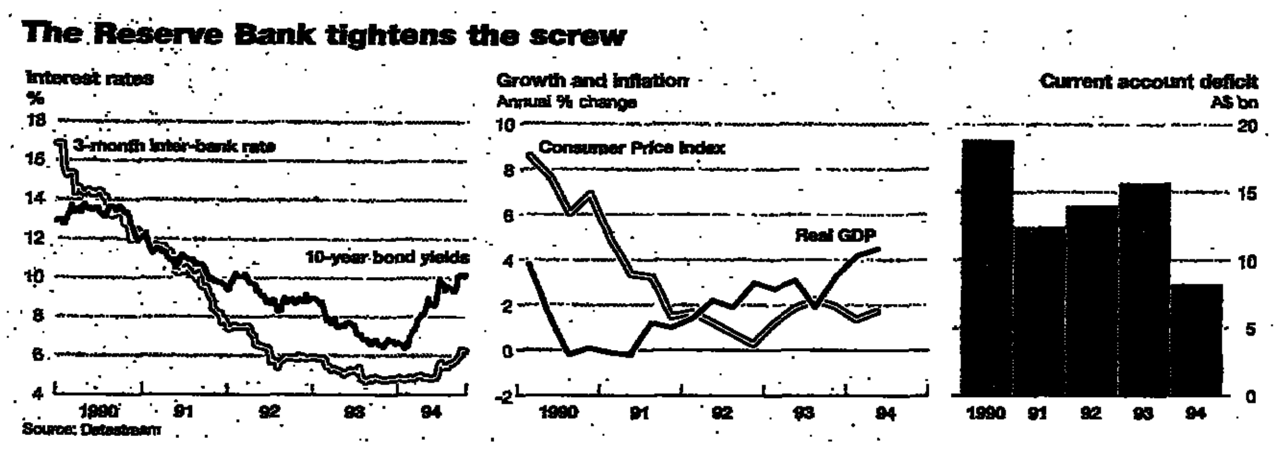
However, Mr Willis, urged on by the Reserve Bank, now appears to have been swayed by the increasing fashion to hit inflation, currently only 1.7 per cent, before it has a chance to take off.

The move also decouples Australian policy from that of the US. It was large enough to spare the Reserve Bank from immediate pressure to follow any tightening decided by the US in coming weeks.

The decision was a "judicious use of monetary policy," Mr Willis said yesterday. In the 1980s, inflation was already running at 7 per cent before the government started to tighten monetary policy.

"With continuing evidence of robust growth, any delay now in increasing cash rates would risk larger and more prolonged increases in interest rates later in the cycle," he said.

The Reserve Bank tightens the screw



Source: Datastream

Monetary policy was also a more flexible instrument than changes in fiscal policy, he added.

Pressure on interest rates has come from a strong economic recovery compared with the rest of the industrialised world. The annual growth rate reached 4.3 per cent during the June quarter. Mr Willis said yesterday that the government had been shading its official forecast for the current financial year which began in July down to 4.25 per cent from 4.5 per cent.

In the past three months, 140,000 new jobs were created and analysts are predicting that the 3 per cent growth in employment forecast in the government's 1994-95 budget will be exceeded. New capital expenditure in the three months to June rose 7.7 per cent in constant prices, the best figure since the September quarter of 1990. Spending on plant and equipment in the period rose 14 per cent in real terms.

One of the key assumptions underlying the 1994 federal budget was that business investment would rise by about 14.5 per cent in the current financial year. Until recently, however, this had remained sluggish, and manufacturers and analysts alike were sceptical that the target could be reached.

Australian economists still say the strength and durability of the investment recovery remains uncertain.

> The Australian treasurer wants to hit inflation - currently only 1.7 per cent - before it has a chance to take off

Over Australia's winter months, a number of developments have occurred. First, the country's drought, which is affecting important agricultural areas on the east coast, has worsened and persisted through key planting seasons. Economists point out that this has a mixed immediate impact on domestic prices, with grain and feedstock prices rising, but the slaughter of livestock pushing down meat prices.

Longer-term, however, the climatic conditions will almost certainly depress exports (wheat, for example, is a significant export category) and could have inflationary implications if future stocks are squeezed. Overall, the drought has been reckoned to knock about half a percentage point off Australia's annual growth rate.

Second, Australia's current-account situation has looked increasingly problematic, even before the drought considerations. The A$2.14bn (£993m) deficit notched up in August was the worst monthly figure for almost four years. Analysts and government officials pointed out that "special items" on the import side explained some of the deterioration. Nevertheless, the data added support to the argument that Australia risks seeing business investment surge all at once, sucking in imported investment goods, machinery and the like.

So with drought depressing some export categories and some tough bargaining from Japanese customers for coal and iron ore leading to lower orders this year, the need to act sooner rather than later may have become imperative.

Most analysts are expecting more rises, with the next one coming around February. One forecast that short-term rates would peak at about 9 per cent, half the 18 per cent high in January 1990.

While the markets welcomed the tightening of monetary policy, they are also putting pressure on the government to accelerate the reduction of its budget deficit. The government's budget deficit plan aims to reduce the shortfall to 1 per cent of gross domestic product by 1996-97. The 1994-95 deficit is forecast to reach A$11.7bn, representing 2.5 per cent of GDP.

Mr Bernie Fraser, Reserve Bank governor, has also put pressure on the government, saying it should do more to reduce the deficit. Although Mr Willis does not rule out spending-cuts in next year's budget, Mr Keating has been saying there is no need to cut expenditure while the economy is growing.

"This doesn't mean fiscal policy can't be changed," he told businessmen yesterday. "On the contrary, if economic circumstances change fundamentally, sound economic management dictates that a fiscal strategy may need to be modified. But this isn't the case now."

Promise to punish 'those responsible'

S Korea leader apologises over bridge collapse

By John Burton in Seoul

South Korea's President Kim Young-sam yesterday apologised to the public for last week's collapse of a Seoul motorway bridge that killed 32 people.

Mr Kim, in a nationally televised speech, promised to punish those responsible for the accident and vowed "to root out the corruption" prevalent in the construction industry.

The bridge accident is perceived by South Koreans as an example of lax government administration, with Seoul authorities accused of ignoring warnings about the poor condition of the 15-year-old bridge.

The accident also focuses renewed public attention on widespread graft that has contributed to sub-standard construction work in Korea.

Officials claim many contractors divert funds from public infrastructure projects and use the money to bribe bureaucrats in charge of awarding lucrative government contracts.

Many construction companies are also accused of saving on costs by using inferior materials and rushing building schedules, while government supervisors are said to be bribed to grant approval that the structures meet design specifications.

The issue has taken on increased importance recently as Korea plans to spend $100bn (£66.6bn) on infrastructure projects during the next eight years.

The government is considering increasing the period that contractors would be responsible for any building faults from five years at present, to 10 or 20 years after completion.

Mr Kim also criticised Korean work practices in his speech. "We cannot deny that during 30-odd years of economic growth, we have tended to implement projects too quickly, with more emphasis on quantity and superficial appearances than on quality and substance."

Five Seoul city officials have already been arrested for allegedly failing to conduct adequate inspections and maintenance of the collapsed Songsu Bridge that spans the Han River in the centre of the city.

President Kim: criticised building work practices

Officials of the construction company which built the bridge are also expected to be questioned by prosecutors.

The company blames the collapse on traffic loads that exceeded the bridge's design specifications.

Civil engineers are now conducting inspections of the 16 other bridges across the Han River in Seoul.

Mr Colin Snowdon, city engineer for the City of London, arrived in Seoul yesterday to help assess the structural condition of the bridges, following an offer of assistance by Sir Paul Newall, the Lord Mayor, who visited Korea in April.

Rabin gives cautious backing to bank plan

By Julian Ozanne in Jerusalem

Mr Yitzhak Rabin, the Israeli prime minister, yesterday gave his backing in principle to the creation of a Middle East development bank which would help finance regional projects worth tens of billions of dollars.

However, in a meeting with Mr Shimon Peres, foreign minister, and Mr Avraham Shochat, finance minister, Mr Rabin made clear that Israel would support the idea so long as it would not yet have to make any financial contribution to the bank, which Mr Peres says would be capitalised initially at $10bn (£6.1bn).

Mr Rabin also made his support conditional on further study and government approval and an understanding with the US that any funds given by Washington to such a bank would not be deducted from US aid to Israel – worth $3bn a year and a further $2bn in loan guarantees.

The commitment to create a regional development bank is expected to be enshrined in a declaration next Tuesday at the end of the Middle East/North Africa Economic Summit in Casablanca. The summit will establish an international working group to consider the feasibility of a regional bank and to report back at the regional economic conference expected to be held in Amman next spring.

Mr Rabin's hesitant commitment to the bank reflects differences between the foreign ministry and treasury. Mr Peres has been an advocate of a regional bank to be a cornerstone of his vision of a Middle East Common Market modelled on the European Union. The foreign minister has built a consensus with Jordan, Egypt and the Palestinians in the past three months on the need for the bank as a symbol of commitment to economic integration.

They have campaigned for US backing, proposing a bank which would be capitalised 40 per cent by countries in the region and 60 per cent by others, such as the US, the European Union and Japan. Each country or bloc would have voting rights in proportion to its gross national product.

The bank, modelled on the European Bank for Reconstruction and Development, would principally make capital investments and long-term loans for regional infrastructure projects, would provide technical assistance for projects and would raise and lend money on international capital markets. Mr Peres has proposed Israel invest 5 per cent of the bank's capital, or $500m.

The regional bank would overcome problems the World Bank has in lending for regional projects. The World Bank also cannot lend to Israel because its per capita income is too high and cannot lend to the Palestinians because they are not a state.

But both the Israeli and US treasuries have been extremely cautious about creation of another regional development bank and are not impressed by the current level of regional economic cohesion. They also prefer future regional projects to be co-financed by other multilateral institutions such as the World Bank and European Investment Bank and are anxious to avoid creation of a bank which would lend at concessional rather than market rates.

Root out terror in your areas, US tells Arafat

By Jurek Martin in Washington and Julian Ozanne in Jerusalem

The US yesterday called on Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, "to root out terror in the areas he controls".

On the eve of President Clinton's departure for the region, Mr Warren Christopher, US secretary of state, said last week's bus massacre in Tel Aviv was targeted not only at Israelis but "aimed at destroying Palestinian aspirations".

"If peace brings nothing but more terror," he said, "the process of reconciliation cannot be sustained. Palestinians more than anyone will suffer. It is imperative Chairman Arafat fulfil his responsibility to root out terror in the areas he controls. The same courage he demonstrated in making peace must now be shown in fighting the enemies of peace."

The US appeal came as Palestinian officials said in Cairo that they rejected claims by Israel's foreign minister, Mr Shimon Peres, that the two sides had agreed on methods for combating Islamic attacks on Israelis.

"We did not agree, as they said, on fighting anybody. We agreed the cycle of violence and counter-violence harms the peace process," said Mr Saeb Erekat, Palestinian negotiator. The PLO has said it will not crack down on the Hamas resistance movement and risk civil war.

The PLO said yesterday the two sides had failed to make any progress in talks on releasing Israeli-held Palestinian prisoners or lifting the Israeli closure of the Gaza Strip and West Bank, steps Mr Erekat said were vital to show Palestinians there was "genuine peace".

Israeli officials said their security forces were continuing arresting Hamas activists across the still Israeli-occupied West Bank. In Gaza, Mr Mahmoud Zohar, a Hamas spokesman, called on Mr Arafat to protect his life and those of other Hamas leaders from Israeli attacks.

Mr Clinton's trip will take him to Syria, the first visit by a US president in 20 years. Mr Christopher held out the hope that an Israeli-Syrian peace would leave "no place for terrorists on Israel's borders".

Sri Lanka counts cost of bombing

By Stefan Wagstyl in New Delhi and Reuter in Colombo

The assassination on Sunday of Mr Gamini Dissanayake, the Sri Lankan opposition leader, is a grim reminder of the violence which permeates the island's politics.

Mr Dissanayake's death comes less than 18 months after assassins claimed the lives of two other prominent politicians - Mr Lalith Athulathmudali, a close colleague of Mr Dissanayake, and President Ranasinghe Premadasa, who like Mr Dissanayake was blown up in the middle of a crowd by a suicide bomber.

In each case the security forces suspect the hand of the LTTE, the Tamil Tiger separatist militants fighting for an independent homeland for ethnic Tamils in the north. But the LTTE yesterday denied it was involved, and police have not in the past found enough evidence to prove their suspicions.

Police in the capital Colombo said yesterday a Tamil woman suicide bomber whose severed head was found on top of a two-storey building was responsible for the blast, which killed 52 people.

The tradition of violence predates the LTTE, going back at least as far as the assassination of the late prime minister, Mr Solomon Bandaranaike, who was killed in 1959 by a disgruntled Buddhist monk.

Mr Dissanayake's bloody death at the age of 52 brings shock, confusion and uncertainty to Sri Lankan politics. Its impact also seems likely to spread to the economy, particularly the tourist industry.

The immediate effect is to rob the opposition United National party of its presidential candidate for the election which is due to be held next month in which Mr Dissanayake was running against Mrs Chandrika Kumaratunge, the prime minister. The government, while postponing indefinitely peace talks set for yesterday with the Tamil rebels, said the November 9 presidential poll would go ahead despite the attack.

Mr Dissanayake was an urbane, western-educated lawyer on the UNP's conservative wing. He had little chance of winning against Mrs Kumaratunge, who won a general election only in August when she took power from a UNP jaded after 17 years' rule. But Mr Dissanayake had gone some way to rebuilding party morale.

His place could now be taken by Mr Ranil Wickremasinghe, who was prime minister until August, or possibly by the incumbent president and UNP elder statesman, Mr D B Wijetunga. Either man might hope to capitalise on a possible wave of sympathy among the majority Sinhalese for Mr Dissanayake or for the tough pro-military policy he supported on the Tigers - a policy which may have cost him his life.

Equally important, Mr Dissanayake's death has called into question Mrs Kumaratunge's whole approach to the Tamil question. She was elected on a promise to try to make peace with the LTTE, a promise which she has bravely and rapidly attempted to put into effect by moves including lifting an economic embargo on the Tigers' northern stronghold in the Jaffna peninsula. Government officials this month started talks with LTTE representatives.

Despite continuing LTTE attacks on Sri Lankan targets, including ships, Mrs Kumaratunge persisted with the peace effort. Against the advice of army officers, she trusted ambiguous peace messages put out by Mr V Prabakaran, the LTTE leader. Now her strategy has been thrown into jeopardy.

The Colombo stock market was closed yesterday amid an island-wide curfew imposed after the attack. Mr Jayadeva Uyangoda, an economist attached to Colombo University, said the economy would suffer in the short term due to the attack. "Long term stability will depend on any social unrest and the overall political situation," he added.

"In the past, such dramatic assassinations have not impacted on society, which has come to terms with the deaths of major political figures. Foreign investors will react only if there is social unrest. Otherwise they will wait and see what happens before taking the next step."

Sri Lanka has shown amazing resilience to political deaths. Even last year's two assassinations did not throw the country's democratic institutions into disarray: there was little street violence and this year's general election was peaceful and judged to be fair. The economy has continued to grow, with gross domestic product up 5.7 per cent last year; the tourists have kept coming.

Yet it is hard to believe that Sri Lanka can forever enjoy its economic success and holiday paradise reputation while the streets of Colombo are regularly soaked in blood.

Gamini Dissanayake, the latest to die...

The 52-year-old opposition leader had long feared for his life but even as recently as a few days ago was still saying "I am confident of winning" the presidential election to be held in two weeks' time.

Tamil guerrillas fighting for an independent homeland blamed him, along with other ministers who were in government in the late 1980s, for bringing in Indian troops to disarm them under an accord between Colombo and Delhi.

In one of his last interviews, in the Madras-based Frontline magazine, he urged caution in negotiating with the rebels. "Nothing should be rushed through," he said. "There are deep wounds in the psyche of the people which have to properly understood."

Nevertheless, he added, he would work for "a just and fair solution...A lot of lives have been lost and blood has been incessantly and unnecessarily shed. It takes two hands to clap and to have a dialogue. A modus vivendi is necessary. Whether the LTTE [guerrillas] will look at it this way, I do not know. I hope they do..."

...in the succession of assassinations

1989 The Liberation Tigers of Tamil Eelam (LTTE) assumes responsibility for the murder of several prominent leaders of rival, more-moderate Tamil nationalist organisations.

1990 LTTE execution squad kills 13 leaders of a rival organisation living as refugees in India.

1991 Sri Lankan minister of state for defence Ranjan Wijeratne killed in bomb blast; LTTE widely suspected.
Former Indian prime minister Rajiv Gandhi killed by suicide bomber near Madras; authorities accuse LTTE.

1992 Ten senior Sri Lankan military officers killed in mine explosion in LTTE-dominated region.
Sri Lankan naval commander-in-chief Clancy Fernando killed by suicide bomber believed to be LTTE member.

1993 Sri Lankan opposition leader Lalith Athulathmudali shot dead by lone gunman; LTTE again denies involvement but widely suspected.
Sri Lankan president Ranasinghe Premadasa killed by suicide bomber; authorities blame LTTE.

1994 Sri Lankan opposition leader Gamini Dissanayake killed by suicide bomber; LTTE denies responsibility but again is widely accused.

Sources: FT, news agencies

INTERNATIONAL NEWS DIGEST

Accord on HK airport 'soon'

An agreement on funding Hong Kong's new airport seems within reach. Mr Guo Fengmin, China's representative to the Sino-British Joint Liaison Group overseeing the 1997 handover of the territory, said yesterday he hoped consensus could be reached by early November, when he retires. Negotiators came near clinching the package in June, but fell at the last hurdle. This time, an agreed minute, detailing that the airport and connected railway project be funded by HK$60.3bn (£5.06bn) of equity and HK$23bn of debt, is expected to be signed before Mr Guo leaves Hong Kong. Signing of the Financial Support Agreements (FSAs), contracts proving to bankers the project is viable, is expected to follow. *Louise Lucas, Hong Kong*

Keidanren backs deregulation

Japan's Keidanren business lobby yesterday urged faster financial deregulation, as two more foreign companies announced their de-listing from the Tokyo stock exchange. Britain's Standard Chartered Bank and Canadian Imperial Bank of Commerce said they would delist by the end of the year. The exodus of 18 foreign companies so far this year is seen as a symptom of the declining competitiveness of Tokyo's capital markets, losing business to financial centres in Asia. Standard Chartered said the move was part of a cost-cutting programme. Mr Shoichiro Toyoda, Keidanren chairman, warned Japan's financial industry would be weakened without further deregulation. *William Dawkins, Tokyo*

Algeria killings condemned

Amnesty International has condemned the Algerian government and its fundamentalist opponents for extra-judicial killings, saying security forces and armed Islamist groups have acted in total disregard of international and humanitarian law. A report today, "Algeria, Repression and Violence Must End", says "hundreds are reported extra-judicially killed by the security forces, as an alternative to arrest or in retaliation for killings by armed Islamist groups". These groups "have deliberately and arbitrarily killed hundreds of civilians", including those known for their stance against the Islamist groups' political agenda. *Francis Ghilès, North Africa Correspondent*

Oil tanker 'had loaded in Iraq'

An oil tanker captain whose vessel was intercepted in the Gulf on suspicion of violating UN sanctions said yesterday he had loaded diesel fuel in Iraq for export in violation of the ban. Captain Izzat Abdulhadi Khalifa, master of the Al Mahrousa, stated he had loaded 3,162 tonnes of diesel oil in the Iraqi port of Zubayr between October 16 and 19, then sailed south. The Saudi-owned, Honduran-flagged tanker was brought to Kuwait under escort after being stopped by a US warship in international waters on Saturday. *Reuter, Kuwait*

Indian temple plea rejected

India's highest court yesterday rejected a presidential request for an opinion on whether an ancient temple had existed at the site of a mosque in Ayodhya demolished by militant Hindus in 1992, and upheld the central government's acquisition of 67 surrounding acres of land. The Supreme Court decision will force the government to resolve the issue of the Ayodhya site claimed by Hindus and Moslems. The government had been unable to decide whether a temple or a mosque will be built on the site and had hoped the court would solve the problem. *Shiraz Sidhva, New Delhi*

■ Taiwan's broadest M2 money supply measure grew 14.64 per cent in September from a year ago, after rising 15.16 per cent in August, the first time since last April that M2 growth fell within the central bank's 10-15 per cent target. *Reuter, Taipei*

■ The Philippines posted a budget surplus of 8.96bn pesos (£220m) in the nine months to September, against a 16.84bn pesos deficit in the year-earlier period, the result of higher revenue collection. *Reuter, Manila*

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

■ UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.
1986	13.5	8.3	6.49	7.67	3.43
1987	11.6	6.5	6.82	8.39	3.12
1988	4.3	5.2	7.65	8.84	3.61
1989	1.0	3.9	8.99	8.49	3.43
1990	3.7	5.3	8.06	8.54	3.60
1991	5.9	3.3	5.87	7.85	3.21
1992	12.4	2.4	3.75	7.00	2.95
1993	11.6	1.1	3.22	5.86	2.78
4th qtr.1993	10.5	1.4	3.34	5.59	2.73
1st qtr.1994	9.8	2.2	3.52	6.06	2.75
2nd qtr.1994	7.5	2.2	4.40	7.07	2.90
3rd qtr.1994	5.2	1.7	4.87	7.31	2.87
October 1993	10.9	1.2	3.26	5.32	2.71
November	10.4	1.4	3.40	5.70	2.74
December	10.1	1.7	3.35	5.74	2.74
January 1994	9.7	2.0	3.20	5.71	2.72
February	10.0	2.2	3.49	5.97	2.74
March	9.8	2.5	3.84	6.47	2.80
April	9.0	2.7	4.05	6.94	2.91
May	7.0	2.1	4.54	7.17	2.91
June	6.5	1.7	4.57	7.09	2.89
July	6.1	2.0	4.75	7.28	2.91
August	5.1	1.7	4.84	7.22	2.84
September	4.3	1.4	5.01	7.44	2.85

■ JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	5.0	9.3	6.62	6.51	n.a.
1986	6.9	8.2	5.12	5.35	0.84
1987	10.5	11.5	4.15	4.84	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.22	0.48
1990	2.6	8.5	7.62	6.91	0.65
1991	5.2	2.0	7.21	6.37	0.75
1992	4.5	−0.4	4.28	5.25	1.00
1993	3.0	1.4	2.63	4.18	0.87
4th qtr.1993	3.5	1.4	2.14	3.57	0.84
1st qtr.1994	4.7	1.9	2.05	3.68	0.82
2nd qtr.1994	5.2	1.5	2.07	4.05	0.76
3rd qtr.1994	6.1	2.3	2.13	4.46	0.74
October 1993	3.7	1.8	2.30	3.85	0.80
November	3.3	1.5	2.22	3.64	0.84
December	3.4	1.4	1.90	3.25	0.89
January 1994	4.2	1.6	1.98	3.34	0.85
February	4.8	1.5	2.05	3.60	0.80
March	5.2	1.9	2.13	4.08	0.79
April	5.9	2.2	2.13	4.03	0.80
May	5.0	1.7	2.08	3.90	0.78
June	4.7	1.5	2.01	4.24	0.72
July	5.7	2.0	2.02	4.32	0.73
August	6.0	1.9	2.16	4.56	0.74
September	6.5	2.3	2.21	4.50	0.76

■ GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.4	5.1	5.45	6.94	n.a.
1986	9.9	8.7	4.64	5.90	1.79
1987	9.0	7.3	4.03	6.14	2.21
1988	9.8	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.11	6.94	2.22
1990	4.5	4.5	8.49	8.71	2.11
1991	5.1	5.6	9.25	8.44	2.38
1992	7.0	8.2	9.52	7.77	2.45
1993	9.4	7.9	7.28	6.44	2.11
4th qtr.1993	8.6	7.5	6.34	5.83	1.79
1st qtr.1994	11.1	11.6	5.88	5.93	1.75
2nd qtr.1994	11.4	10.5	5.28	6.71	1.72
3rd qtr.1994			5.01	7.18	1.76
October 1993	9.2	6.4	6.64	5.93	1.86
November	8.4	7.3	6.31	5.86	1.82
December	8.1	8.8	6.11	5.71	1.69
January 1994	11.8	11.4	5.90	5.63	1.71
February	11.0	11.9	5.91	5.87	1.77
March	10.5	11.4	5.84	6.27	1.76
April	11.6	10.8	5.61	6.43	1.68
May	11.2	10.7	5.20	6.63	1.67
June	11.3	10.0	5.07	7.05	1.80
July	9.7	9.0	4.97	6.90	1.79
August	10.1		5.00	7.10	1.74
September			5.07	7.53	1.76

■ FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	6.2	7.4	10.03	11.74	n.a.
1986	6.9	6.6	7.79	8.74	2.65
1987	4.1	9.9	8.26	9.46	2.75
1988	3.9	8.5	7.94	9.08	3.69
1989	7.5	9.5	9.39	8.79	2.88
1990	3.8	9.2	10.32	9.92	3.19
1991	−4.9	2.7	9.62	9.03	3.58
1992	−0.2	5.5	10.36	8.57	3.55
1993	1.4	−1.5	8.55	6.75	3.21
4th qtr.1993	1.4	−1.5	6.74	5.92	3.01
1st qtr.1994	2.6	−4.1	6.29	5.99	2.85
2nd qtr.1994	1.8	−4.1	5.73	7.03	2.97
3rd qtr.1994			5.62	7.69	3.05
October 1993	0.6	−0.1	6.99	5.95	3.02
November	−1.5	−1.0	6.74	6.02	3.07
December	1.4	−1.5	6.52	5.79	2.94
January 1994	2.2	−2.7	6.31	5.66	2.82
February	3.0	−3.6	6.30	5.93	2.81
March	2.6	−4.1	6.25	6.37	2.90
April	5.8	−3.2	6.01	6.65	2.89
May	1.2	−4.3	5.65	6.94	2.88
June	1.8	−4.1	5.57	7.48	3.14
July	5.4	−1.2	5.65	7.38	3.09
August	3.7	−1.7	5.59	7.61	2.98
September			5.63	8.09	3.10

■ ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.
1986	10.5	8.2	13.25	11.47	1.41
1987	10.4	9.8	11.32	10.58	1.94
1988	7.8	6.9	11.24	10.54	2.71
1989	7.1	8.2	12.41	11.61	2.46
1990	9.3	9.1	11.96	11.87	2.64
1991	7.3	8.0	11.83	13.20	3.45
1992	6.7	7.5	13.86	13.29	3.63
1993	4.6	7.1	10.22	11.23	2.35
4th qtr.1993	7.4	8.1	8.89	9.10	2.02
1st qtr.1994	7.9	7.8	8.42	8.99	1.60
2nd qtr.1994	9.2	7.4	7.98	9.84	1.54
3rd qtr.1994			8.68	11.42	1.58
October 1993	5.8	7.5	8.87	9.04	1.94
November	8.7	8.8	9.08	9.34	2.15
December	7.8	8.0	8.72	8.94	1.97
January 1994	6.4	7.1	8.44	8.69	1.88
February	7.6	7.6	8.37	8.78	1.74
March	9.9	8.6	8.43	9.46	1.77
April	10.4	8.4	8.11	9.07	1.58
May	9.5	7.3	7.80	9.38	1.49
June	7.7	6.4	8.03	10.46	1.57
July	8.3	6.6	8.43	10.70	1.54
August	6.5	5.4	8.93	11.49	1.58
September			8.66	12.03	1.61

■ UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.7	13.2	12.32	11.03	n.a.
1986	4.0	15.3	11.02	9.97	4.35
1987	4.7	14.8	9.77	9.52	3.60
1988	6.8	17.0	10.41	9.69	4.48
1989	5.9	17.5	13.96	10.30	4.36
1990	5.3	16.1	14.82	11.53	5.07
1991	2.4	8.0	11.58	10.04	4.97
1992	2.4	5.1	9.73	9.09	4.91
1993	4.8	3.6	5.99	7.40	4.01
4th qtr.1993	5.5	4.3	5.61	6.61	3.75
1st qtr.1994	5.4	5.3	5.31	6.72	3.57
2nd qtr.1994	6.6	5.3	5.23	8.12	4.00
3rd qtr.1994	6.7	4.7	5.55	8.57	4.03
October 1993	5.4	3.7	5.83	6.81	3.81
November	5.1	4.5	5.96	6.77	3.84
December	6.0	4.8	5.40	6.28	3.61
January 1994	5.1	5.0	5.44	6.22	3.46
February	5.4	5.3	5.27	6.61	3.49
March	5.6	5.6	5.23	7.29	3.74
April	6.0	5.4	5.29	7.66	3.87
May	6.9	5.1	5.22	8.13	3.96
June	6.9	5.4	5.18	8.54	4.16
July	6.5	4.7	5.29	8.38	4.11
August	6.3	4.7	5.58	8.52	3.94
September	7.2	4.8	5.76	8.80	4.04

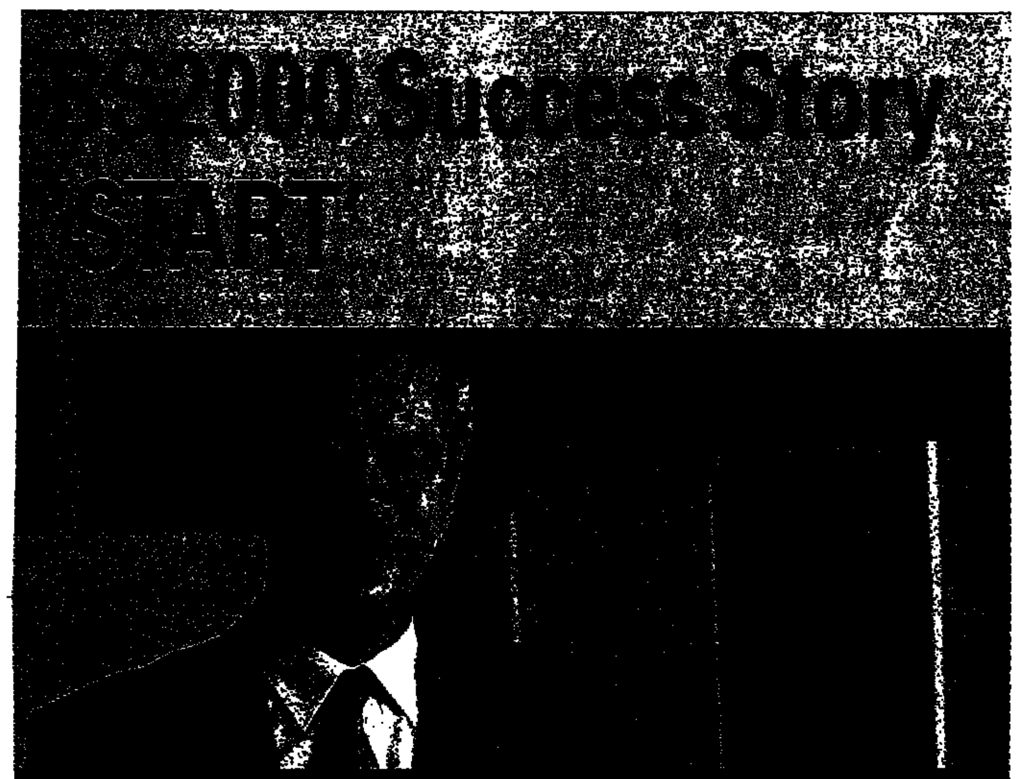
Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

SIEMENS NIXDORF

Business Solutions 2000

From Host to Client-Server: BS2000 Success Stories

Mainframes are out? The many BS2000 customers all over the world would have something to say about that: Read the BS2000 success stories from the Hamburg Savings Bank, the Belgian betting agency PMU, the British police, the Portuguese railways, the Start travel agency and the Schöller textile company. Find out why they made the right decision. Read the background stories and see why these organizations have been successful. See why BS2000 is the business solution for everyone from bank branches to railways. How BS2000 is the ideal open system. And see how the new open BS2000/OSD makes the right business server in today's client-server environment.



"More than 12,900 travel agencies are hooked up to our bookings system in Europe. For this, we need a computer network that can handle thousands of reservations at a time. But most important, we need one we can rely on 100 per cent."

Wassilios Dedes, Managing Director of START Informatik.

START is Europe's largest travel sales system and is synonymous with one of the greatest challenges faced by BS2000. More than 26,000 PCs and terminals in over 12,900 travel agencies operate together in the START network. Flights, package tours, hotels, rental cars, trains, ocean travel, bus tours, insurance and admission tickets – all can be booked using START, and all bookings flow together into the START computer center in Frankfurt. "That's why I need a mainframe system that can handle extremely data-intensive applications quickly and with 100% reliability," says Wassilios Dedes, Managing Director of START Informatik.

Thousands of bookings simultaneously at peak times

All START customers can access the BS2000 system, either from a PC in the travel office or from self-service terminals. According to Wassilios Dedes, there are several thousand bookings coming through the system at peak times for the BS2000 to process simultaneously. And, thanks to the most advanced technology, it does so at incredible speed. This makes START the largest OLTP (Online Transaction Processing) application for BS2000 systems in Germany.

Even with 4.3 million bookings each year, the BS2000 is never booked out.

The figures bear out the performance: by 1993, 78 million bookings had been made and about 116 million receipts, from invoices to admission tickets, had been issued. And yet the BS2000 computers still have room to spare. Wassilios Dedes points out that this spare capacity is needed to cope with the new START users being added each year.

The START network grows bigger every day

Every year, new countries join the START network. Since last year, Greece, Hungary and Poland have been making bookings via START. Branches in Turkey and Russia were added recently. About 3,330 new connections were put in place last year alone. BS2000 technology plays an important part in all of these.

SIEMENS
NIXDORF

BS2000 Success Story 'Portuguese Railways'

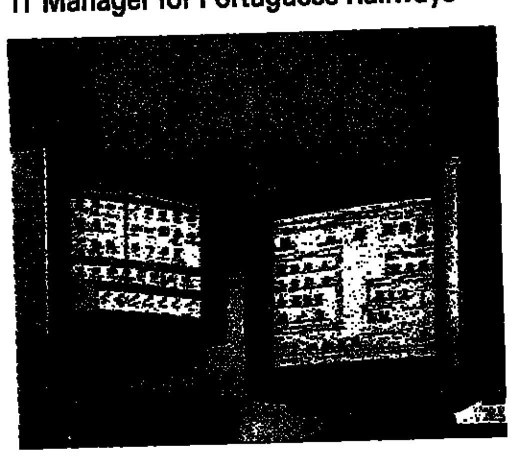
"TRAINS is not only the first large scale systems development project by Portuguese Railways. It is also our first truly strategic project. In the BS2000 system, we have selected the right mainframe strategy, as it will allow us to keep our options open in the long term."

Vasco Guimaraes da Silva, IT Manager for Portuguese Railways

In 1989, Portuguese Railways, "Caminhos de Ferro Portugueses", switched over to TRAINS, an integrated information system for rail transport. The system has been expanded, unit by unit. Today, TRAINS provides computer support for all jobs from ticket sales to administrative tasks and management of rolling stock, with two BS2000 computers in the Lisbon computer processing center forming the cornerstone of all information flows.

BS2000 – the right link for TRAINS

"TRAINS was a real challenge for us, our first truly strategic IT project," says Vasco Guimaraes da Silva, IT Manager for Portuguese Railways (CP). It is understandable, therefore, how important it was to select the right mainframe system. After thorough consideration, those responsible for the project eventually decided on two BS2000 H-Series systems as the cornerstone of the information system to which all the computers would be connected: MX300-UNIX-workstations and terminals in each individual station.



BS2000 carries all important source data

"All important source data, such as complete pricing schedules, will be managed on the central computer. Each terminal in each station connected to this computer can access the BS2000 data at any time," explains da Silva. The terminals will also run software applications – among them the building blocks for ticket sales with an integrated reservation system, one of the principal components of TRAINS. CP employees at ticket sales counters can determine, at the touch of a key, the train and departure time that would best suit each passenger, whether in the smoking or non-smoking section, whether on the ordinary express service or on the super fast intercity service. On the basis of this information, the BS2000 then determines the price of the ticket. And super fast! Normally within 1.7 seconds.

The BS2000 system also fast tracks your freight

But there is another TRAINS module that customers are not even aware of. It is appreciated even more by CP employees: the "rolling stock" software module. With this module, around 30,000 wagons can be despatched to the right place at the right time every day. In this area too, the BS2000 is the right computer system. All necessary data relating to rolling stock is stored on it – ready for instant retrieval for analysis of goods trains.

With START into the world of open systems

"We are totally satisfied with the working of the system", says da Silva. And to questions about Portuguese Railways' future IT planning, he replies: "In the near future, we want to switch over to client-server technology, and by doing so build on the security and reliability of the BS2000 system. With the Open System Direction, Siemens Nixdorf also offers the right open mainframe strategy. Then we can hook straight up to the START international travel reservation system." And also to the BS2000 computers working there.

BS2000 Success Story 'British Police'

"We needed a system to support police work from Dover to Aberdeen, with constant ready access to data on millions of people, fingerprints and vehicles. And of course, the price had to be right as well."

John Ladley, Data Center Manager

The British police's digital best friend is its BS2000 system. A dual H120 mainframe replaces the 20-year old PNC1 (Police National Computer) system with the latest open technology. The new PNC2 is ready and waiting, around the clock, for data exchanges with all computers connected to the system. More than 4,000 terminals in local police stations are linked to the BS2000 system, via an X.25 network. All of which makes this the largest BS2000 system in Britain to date.

Answers in a fraction of a second

The H120, which has been upgraded to a four processor system, has data on more than 40 million vehicles, 4.25 million fingerprints and 5.5 million people. Every networked computer has access to this information, 24 hours a day. Important enquiries – ranging from checking personal details or listing stolen vehicles through to the retrieval of complete "wanted persons" lists – are answered in a fraction of a second by the H120 systems. And for the user population of around 20,000, the user-friendly nature of the PNC2 system brings enormous advantages. Even if the input data is incomplete – for example, when the user only knows part of the vehicle license number – the computer is able to focus the enquiry on a limited number of possible vehicles.

The answer to all the cost questions

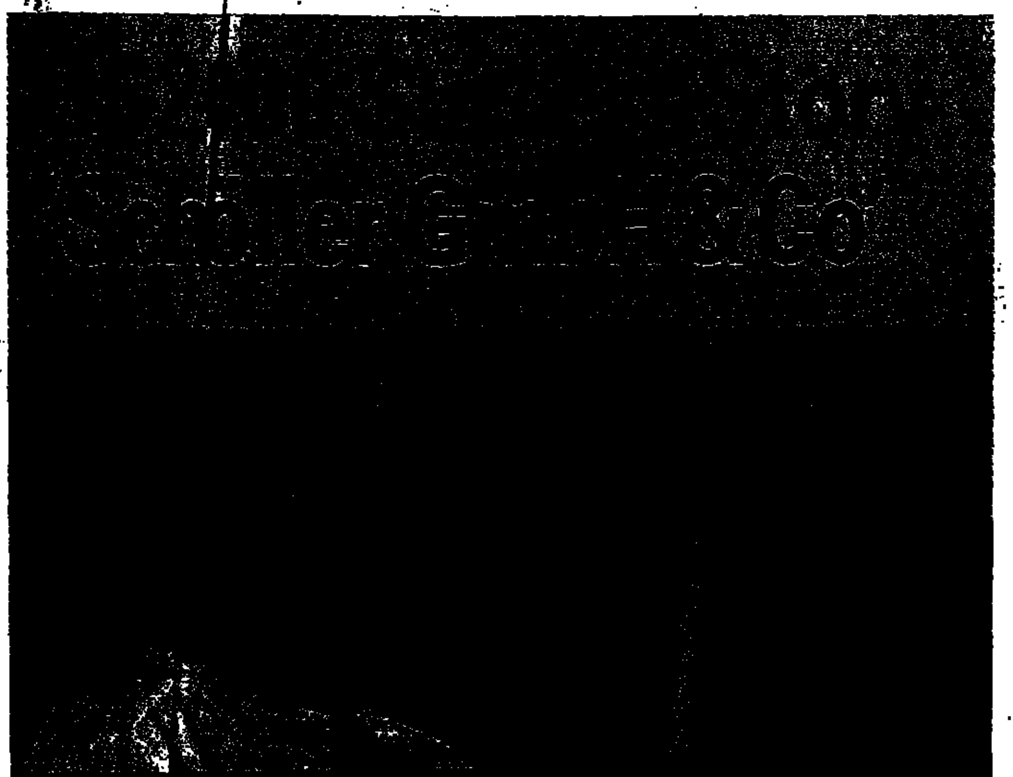
One of the most significant factors in the selection of the H120 system was the excellent price-performance ratio – the old PNC1 system had become too expensive to run. Ongoing maintenance was too costly, software updates were too expensive, and the system still didn't have enough power – there had to be a better option. The answer lay in the BS2000: 256 megabytes of main memory, 210 gigabytes of fixed disk storage, and 160,000 transactions a day. "It seemed

to us that no-one coul match this price and provide thislevel of performance", says Ladley.

The answer for the next millenium

For the British Hom Office, PNC2 signals "a new chapter in giving the police the informaton they need. This system will continue to play a major role in polie work into the next millenium."

Schöller GmbH & Co



"Two Schöller items are sold in Germany everysecond. Production can't be allowed to lagbehind. Efficient job planning and contrl is the key, and we've found it with BS2000 and SILINE."

Georg Butor, IT Director at Schöller

One day's production at Schöller would fit a washing line 50 km long. And it's no wonder: every second sees the sale of two articles made by the Swabian textile manufacturer which specializes in the production of women's lingerie and children's underwear. This is an enormous production challenge for a medium-scale operation: "Production planning must be in place, or we would immediately be in deep trouble as far as deliveries are concerned," says Georg Bujtor, IT Director at Schöller.

The fact that the business is able to rely on the just-in-time supply quality of Schöller can be attributed in large part to BS2000 and SILINE – the Siemens Nixdorf solution integrating office and factory.

Costs down, thanks to BS2000...

The investment in SILINE and BS2000 has paid off rapidly: SILINE supports Schöller in the office with personnel management, finance and investment accounting and in sales. The integrated PPS solution – possibly unique in this branch of the textile industry – manages all tasks, from stock purchase to monitoring orders and supplying confirmations. This contributes to better utilisation of stock and lower storage costs. "Cost savings of over a million marks," calculates Bujtor. "We believe that this BS2000 solution will already have paid its way within the next year."

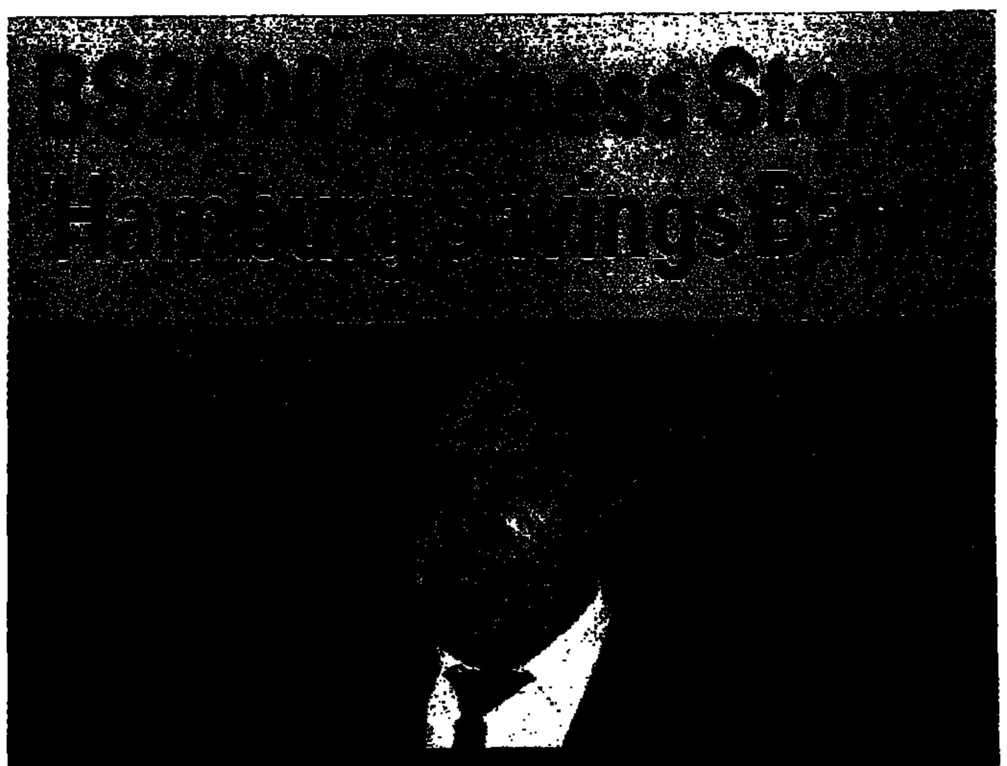
...performance up...

BS2000 has been worthwhile for Schöller from the point of view of the system's flexibility alone, the ability "to grow without needing to change systems". In 1987, Schöller went into BS2000 technology with one C40 computer, and has gradually upgraded from then on. Today, the erstwhile C Series No.1 model, the C70, looks after the computer needs of the business. BS2000 has remained the operating system – along with the tried-and-tested software, SILINE.

...capital investment fully protected

In this way, Schöller was able to invest in just the amount of computer capacity it needed at any given moment – without paying for a single bit of unused capacity. Investments in software were also protected. Of course, Bujtor has no thought of swapping over to a different system: "For us, SILINE, together with BS2000, has meant – and still means – perfect integration and communication in all departments and on the whole represents massive cost savings."

BS2000 Success Story: Hamburg Savings Bank



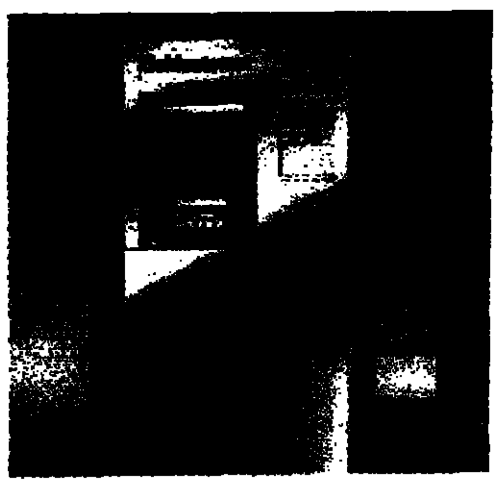
"Everything is linked up to our BS2000 computers: PCs, automatic cash dispensers, statement printers, peripherals. Everything hinges on a secure and reliable operating system."

Herbert Burmeister, Head of IT organization at the Hamburg Savings Bank

At the Hamburg Savings Bank, BS2000 is the heart of the data processing system: two H90-T2 systems in the head office integrate thousands of terminals in the branches, providing a fast and efficient data interface in which BS2000 is the key to secure and reliable operation.

Because everything is linked up to BS2000, everything depends on BS2000

"Without BS2000, everything would come to a standstill here. There is virtually no data which is not processed, saved or passed on by BS2000," explains Herbert Burmeister, IT director at the Hamburg Savings Bank. This shows the key importance of BS2000 as a central server at the Savings Bank. A total of 239 UNIX® systems, about 3000 PCs, 150 money machines and 633 statement printers are supplied with comprehensive data by BS2000 – from account updates to currency information. "The smallest BS2000 failure would have drastic consequences for our entire data processing operation," says Mr Burmeister.



Mainframe safety emphasized

BS2000 provides maximum safety in daily operation by more than just fully-automated, permanent back-up procedures. All data on the two directly-linked BS2000 computers are backed up instantaneously. The principle is one of double data processing for double data security. All this brings the Hamburg Savings Bank the business security it needs in its day-to-day operations: whether dealing with money transfers or savings transactions, mortgage business or payments. Herbert Burmeister is full of praise for the mainframe computers: "BS2000 has lived right up to our expectations. The two H90 systems enable us to provide the services of the Savings Bank with speed and security. And with BS2000 working seven days a week, we can offer the service even outside of our opening hours."

SIEMENS NIXDORF

BS2000 Success Story 'Pari Mutuel Unifié'

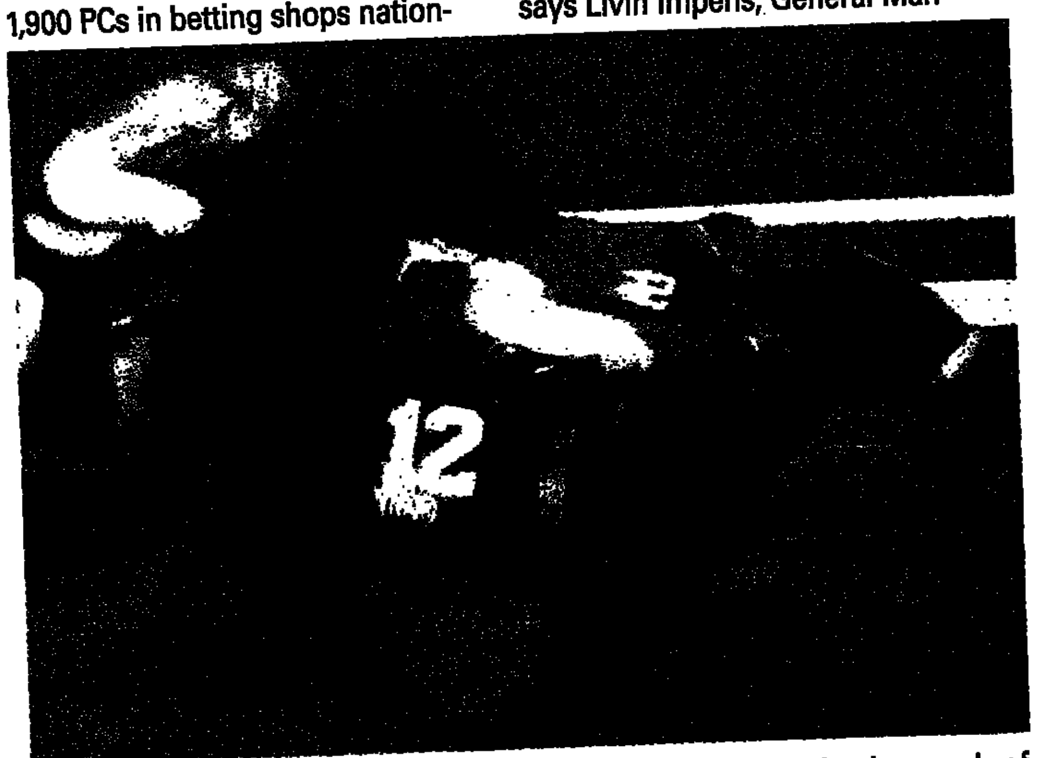
"Every second counts in the betting game. Many people leave it until just before the race begins to place their bets. So, with our customers' interests in mind, we opted for a system that could guarantee speed and reliability down to the last detail."

Livin Impens, General Manager of PMU

In the race for customers, Pari Mutuel Unifié (PMU – Belgian Totalisator Board) is ahead with a new business solution. Two Siemens Nixdorf BS2000 mainframes have been installed in the Belgian horse-race betting organization's system. In conjunction with more than 1,900 PCs in betting shops nationwide, these computers will get PMU customer service out of the starting gate fast.

BS2000 – a winner in data processing

"Our objectives were: speed, accuracy, security and cost-effectiveness", says Livin Impens, General Manager at PMU. Today, the thousands of transactions dealt with by the PMU Processing Center in Brussels are processed by two BS2000 C50 Series computers, linked to PCs in PMU betting shops via the public telephone system and an X.25 network. Security is ensured by "mirror mode" operation. If one system fails, the other takes over immediately. Another key feature of the application is the openness of BS2000, which Simens Nixdorf has implemented with Open Systems Direction (OSD): the interoperability achieved through the network and the availability of the advanced open programming language C were particularly appreciated by PMU.



BS2000 – PMU's Betting System 2000

Thanks to this new business solution, the latest information is available just moments before the start. This represents an enormous improvement in customer service: punters have more time to pick their favorites and so can increase their chances of winning. Pressing a key is all it takes to send the information from the PC to the C50 computer, where it is quickly and reliably processed and stored. "With the Siemens Nixdorf solution, we have backed the right horse," says Impens. "Moreover, the BS2000 systems have proven to be highly cost-effective, with lower operational costs in the long run". As a bonus, the new solution has also provided the impetus for new ideas. PMU recently introduced "Bingoal", a new type of football betting game.

The Success Story continued

The new BS2000/OSD. Business Server 2000 for the open client-server world.

With the Open Systems Direction (OSD), Siemens Nixdorf has committed itself to gearing all its products, systems and solutions to operate according to open standards. The result is that BS2000 has opened up to become BS2000/OSD. With this move, Siemens Nixdorf is linking the advantages of the classic universal mainframe with those of an open server in today's client-server environment: security, data management and back-up service, plus flexibility and connectivity.

The result is a flexible and efficient business server standing at the center of IT business operation, with standardized interfaces for working with other computer systems in the state-of-the-art client-server environment.

But this is not the only thing that makes BS2000/OSD the business strategy 2000 for your organization. More than that is the ongoing growth in system power and functionality in hardware and software.

For instance, BS2000/OSD in OLTP mode provides several thousand workstations with important data ranging from account updates to booking confirmations. And it supplies PCs and UNIX computers with central database, network, back-up, print, filing and archiving services – rapidly and efficiently. Because the /390 standards of the mainframe world are now linked with the open standards of the open systems world, the BS2000 user has the benefit of a far greater software range.

In the long-term too, you are choosing the right business strategy when you choose BS2000/OSD. Every year, Siemens Nixdorf invests almost half a billion DM in developing BS2000/OSD. For example, in the new CMOS technology, with its guarantee of greater cost-effectiveness. Or in expanding the product range, from the office computer to the high-performance HIPLEX computer. The success story of BS2000 goes on and on.

For further information about the BusinessServer 2000, please contact: Siemens Nixdorf Informationssysteme AG, BS2000 Marketing, Otto-Hahn-Ring 6, D-81739 München, Fax: +49 89 636 2812.

Walker verdict a heavy blow to fraud office

By John Mason,
Law Courts Correspondent

The acquittal of Mr George Walker, the former head of the Brent Walker group, is a heavy blow for the Serious Fraud Office that has come at a particularly sensitive time.

Its entire future is under consideration. The attorney-general, Sir Nicholas Lyell, will soon decide whether to wrap up the office in its current guise and merge it into the Crown Prosecution Service – or to expand its size and operations. His decision is expected within two months.

The perception of the office inside and outside the City will be crucial to the politics of Sir Nicholas' decision. To expand the office would require an expression of ministerial confidence. To place it under CPS control would be seen by some as an admission that the original thinking behind the office was misconceived.

Within the SFO there is common agreement that the forthcoming Maxwell trial will be the ultimate test of its credibility. However, the failure of such a high-profile case as Mr Walker's will undoubtedly make it more difficult for Sir Nicholas to endorse the SFO's operations.

So what what went wrong for the SFO this time? Some defence lawyers complained the case was too large and, lasting 4½ months, too long. However, at no stage in the trial did the prosecution suffer any disastrous collapse of parts of its case. No witness gave evidence which left its case fatally flawed.

The case was very dependent upon the jury following complicated flow-charts which outlined the transfers of money. However, lawyers involved felt the issues were put across clearly to the jury.

The SFO's allegations were that Mr Walker had orchestrated the fraudulent boosting of profits by some £19m between 1984 and 1989. He had done this, it claimed, through bogus film rights transactions handled by the Brent Walker film division.

The office alleged that in effect Brent Walker was funding its own profits, and that to cover this up the money transfers were disguised through a complex laundering operation involving offshore companies and family trusts.

The prosecution said this took place at a critical time – when the Brent Walker group was expanding. The fraud was necessary, the prosecution claimed, to attract the support of investors and banks which was necessary for the expansion.

Mr Walker's defence was robust. He denied that the prosecution was correct in its insistence that the profits had been inflated at all. Confronted with evidence of the money transfers, Mr Walker maintained he had little or no personal involvement.

Mr Walker stressed repeatedly that he headed an extremely large and busy company. The transactions complained of amounted to a mere fraction of his daily workload, he said.

Although he was involved in the principles of decision-taking about deals, he left the detailed work to senior executives he trusted. If they brought him documents to sign, he would do so without question, he said.

Bloodied, bruised, but back in business – that was how Mr George Walker described himself after his acquittal yesterday. At a hastily-arranged press conference opposite the courtroom where he has spent the last 4½ he was too exhausted to be in celebratory mood.

The former head of Brent Walker said: "I am relieved, but I don't feel like celebrating. There has been too much tension, particularly for my family."

He made clear, however, that he did not see a quiet retirement ahead. Although 65 years old and with 18 months of a bankruptcy order to serve, he said that he still had friends in business prepared to make offers. "I haven't thought a lot about it, but I have had a lot of support from friends in the business community," he said. "I do think I have something to give. I know my business – the leisure sector."

Mr Walker still feels deeply angry about losing the company he built up from a modest chain of petrol stations in the 1950s. The history of Brent Walker has been written many times.

From managing the boxing career of his brother Billy, to opening "Billy's Baked Potato" shops in the 1960s, Mr George Walker moved into the leisure sector, running clubs and restaurants. Property deals were to follow – notably the development of the Brent Cross shopping centre in London from which Mr Walker's company took its name.

UK NEWS DIGEST

Commercial radio stations overtake BBC

Listening figures for commercial radio have overtaken those for the BBC for the first time in the 21-year history of the commmercial sector. Little more than a year ago the BBC's five national stations and regional and local radio output together commanded more than 61 per cent of listening. But in the third quarter of this year the share for commercial stations reached 49 per cent compared with less than 47.5 per cent in the second quarter.

Commercial radio is also expected to increase its share of total UK advertising. A report by the Henley Centre to be published at the weekend suggests that the commercial sector's share will rise to 6 per cent by the end of the decade. Its share traditionally only has been only about 2 per cent. Commercial radio has expanded rapidly in recent years with the arrival of such stations as Classic FM and Mr Richard Branson's Virgin 1215 as well as Atlantic 252, which broadcasts to much of the UK from the Republic of Ireland.

In the third quarter of this year commercial radio had revenues of £56.7m, a rise of 23 per cent on the corresponding period last year. The increase means that the industry is on course for a 4 per cent share of advertising this year. Most of the growth to the end of the decade is expected to come from existing stations with only 8 per cent coming from new licences.

Farmers cash in

Farmers earn £650m ($1.03m) a year from business sidelines such as bed-and-breakfast, horse-riding and birdshoots, says a survey to be published soon. That adds up to nearly 6 per cent of the £11bn they receive from mainstream crop and livestock production, says Produce Studies, the international marketing and research organisation that carried out the survey. "For many farms, even if it's only £2,000 extra a year, it makes the difference between keeping afloat and going under," said Mr Howard Biggs, head of surveys.

Two out of three farmers make less than £10,000 a year from diversifying, and a quarter earn less than £1,000. But 10 per cent earn more than £300m between them, with some making more than £50,000 ($79,000) a year each. The latter tend to be well-heeled farmers who have the land and facilities to offer sophisticated accommodation or leisure activities, Mr Biggs explained. His organisation surveyed 1,000 of the 114,000 farms in Britain with 20 hectares or more, which account for 94 per cent of agricultural land. About 28 per cent earned money from businesses such as fishing rights, motorcycle sport on their land and pick-your-own produce.

Homes disappoint buyers

A poll of home buyers has found widespread dissatisfaction with the design of new homes. About 180,000 are built in the UK each year. The poll, conducted by Gallup for RIBA Journal, a magazine for architects, found that 60 per cent of buyers were dissatisfied with the design of new houses. A similar percentage doubted whether new homes offered value for money and more than 40 per cent questioned construction quality.

Other criticisms centred on the degree of choice and flexibility offered by mass housebuilders. Nine out of ten people questioned said housebuilders were not providing enough choice in terms of design and more than three-quarters wanted greater flexibility over the layout of rooms.

Channel rail tickets on sale

Tickets for the first Channel tunnel trains between London and Paris or Brussels went on sale yesterday. Starting on November 14 there will be two trains on each weekday between London Waterloo and Paris Nord and one on Sundays. There will be no trains on Saturdays. The journey will last three hours. There will also be two trains in each direction on weekdays between Waterloo and Brussels Midi. There will be one Brussels train in each direction on Sundays and the journey will last three hours 15 minutes.

There was a queue of passengers at Waterloo two hours before the booking office opened. The cheapest return fare on either journey is £95 ($150), but tickets must be booked at least 14 days before the journey. A standard return will cost £155.

Premier strives to defuse row on 'sleaze'

By Our Political Staff

Mr John Major, the prime minister, was drawing up plans last night to defuse the charges of "sleaze" levelled against his government as Mr Michael Howard, the home secretary, distanced himself from the mounting political controversy.

But a left-right split opened up in the cabinet over the fate over Mr Neil Hamilton, the junior industry minister at the centre of allegations levelled by Mr Mohammed Fayed, the owner of Harrods.

Mr Major's attempts to develop a clear strategy before the inevitable challenges at today's prime minister's questions came as Mr Howard, the home secretary, was drawn into a war of words between the government and Mr Fayed.

Amid controversy over the processing of a citizenship application by submitted by Mr Fayed's brother, Mr Howard issued a detailed statement clarifying the precise circumstances of his role.

Mr Howard said that he had deputed the consideration of the application of Mr Ali Fayed to Mr Charles Wardle, the junior home office minister responsible for immigration. His own role had been limited to suggesting further inquiries before any final decision was taken. The application is still pending and Mr Jack Straw, the shadow home secretary, called for a full Commons statement by Mr Howard.

With the ministerial future of Mr Hamilton in severe doubt, Mr Major indicated he was ready to publish the outcome of an inquiry condncted by Sir Robin Butler, the cabinet secretary, into the so-called "cash-for-questions" allegations levelled against two junior ministers. One, Mr Tim Smith, resigned last week but Mr Hamilton insisted he had done nothing improper.

The prime minister was said to be studying ways of broadening the present investigations into the financial interests of MPs and of securing an end to Labour's boycott of a inquiry by the House of Commons privileges committee.

One possibility floated last night by Tory party managers was that Mr Major would signal his willingness to include independent figures from outside the House of Commons in a wide-ranging study of the potential conflicts of interest.

Sir George Gardiner, a senior backbencher on the Tory right, backed calls at the weekend from leading Tory figures for a public inquiry into MPs' ethics.

Method suspected of causing collapse at Heathrow

Railway tunnelling halted

Financial Times
London Staff

Work on part of the £1.9bn ($3.0bn) extension of the London Underground railway network's Jubilee Line was halted yesterday to await the outcome of an investigation into serious subsidence at Heathrow Airport.

Tunnelling was halted on two sections of the line near existing above-ground stations in south London because contractors are using the tunnelling method suspected of causing the Heathrow collapse.

The problems at Heathrow started on Friday when earth began slipping into the railway tunnel near the Terminal Three car park during construction of a £300m rail link from the airport to London Paddington station. The London Underground station for Terminal Four and the Terminal Three car park have been closed.

Heathrow said flight departures were normal yesterday, and delays were no more frequent than usual.

The car park at Terminal Three is likely to remain closed until Thursday at the earliest, although Heathrow officials hope that traffic to the airport will have returned to normal by then.

At the airport, an inquiry was under way into the cause of the collapse. BAA, the airport operator, said it would take at least 10 days to find out what caused the roof of the tunnel to collapse.

Balfour Beatty, the contracting arm of BICC, the quoted UK company, is undertaking the construction work and was yesterday working to prevent further slippage. BICC's shares closed down 13p yesterday at 333p.

Ashley Ashwood

Subsidence undermines an office building at Heathrow Airport

Do not cut aid, pleads N Ireland

By John Murray Brown
in Dublin

Public spending for Northern Ireland should be maintained at current levels in the short term if the peace process is to advance, the Northern Ireland Economic Council, an independent body set up to advise the UK government, said yesterday.

The council's autumn review of the province's economy was published yesterday and prepared in the wake of the IRA ceasefire on August 31 but before the loyalist cessation of violence. It warns difficulties of short-term adjustment associated with the peace process and says they will have to be handled "carefully, sensitively and gradually".

The report says: "It is important to stress that in the short-term transitional period it is the composition of public expenditure that should change rather than its overall level."

With some local economists concerned that the Treasury is keen to see cuts in the wake of the ceasefire, the review provides support to those opposed to cuts in public spending.

The economic council stresses that government subsidies are "the most significant determinant of demand in the economy" because 35 per cent of the workforce are employed by the state.

The report says government funding, which is planned at £7.4bn ($11.7bn) in 1994-95, helped to ease the recession in an area with the UK's highest proportion of long-term unemployed people.

Citing the example of the police and prison services, where employment levels are three times higher than in other UK regions, the council says the peace process calls for redeployment of personnel and the reallocation of public spending towards "more constructive" economic use.

It says: "Peace, as well as conflict, involves difficult economic adjustment problems. These, however, have to be handled with care and in a sensitive manner to ensure that the 'peace process' is moved forwards rather than backwards."

The council supports for the controversial issue of greater links between Northern Ireland and the Irish Republic through increased cross-border trade, a more fully integrated island economy and improved policy co-ordination in sectors such as energy and transport.

Raids by police in the Republic of Ireland on terrorist targets at the weekend provide the first evidence of opposition in nationalist circles to the IRA ceasefire. The raids in four counties near the border with Northern Ireland resulted in the seizure of guns, ammunition, hand grenades and detonators belonging to a previously unknown group called the Irish National Republican Army.

Police said the raids were directed against "breakaway factions such as Republican Sinn Féin and the Irish National Republican Army" which were involved in "criminal and subversive activity". Republican Sinn Féin is a splinter group. Neither it nor the Irish National Liberation Army, an extreme offshoot of the IRA, has endorsed the IRA ceasefire.

Enron may open extra power station

By Chris Tighe in
Newcastle upon Tyne

Enron, the US power generation and gas supply company, announced yesterday that it had taken the first step towards opening a £400m ($632m) power station in north-east England.

Enron said its offshoot Flotilla Power had signed a connection agreement with National Grid of the UK for a 779MW combined-cycle gas turbine power station on 20 acres of disused land at ICI's North Tees works.

Enron, the leading partner in the £850m Teesside Power Station which opened last year south of the River Tees, will now examine potential markets for the proposed new station. It will also consult local organisations before deciding whether to seek planning consent from the Department of Trade and Industry. The project would, like the Teesside Power Station, use North Sea gas piped ashore at Teesside from the Everest and Lomond fields.

Enron said it was "reserving its position" by consulting now with National Grid. It has asked National Grid to be prepared to make the connection available from 1998. An Enron official said it had not decided whether to go ahead or whether to seek partners if it did.

Lex, Page 16
East Midlands Electricity, Pages 18 and 25

Firm challenges pension assumption

By Jim Kelly in London

A comprehensive review of UK accounting, published this week, challenges the view that surpluses in pension funds belong to employers. The report by the accountancy firm Ernst and Young is based on detailed examinations of the accounts of 500 companies.

Generally Accepted Accounting Principles (UK GAAP), which reviews in 1,600 pages company compliance with reporting standards, calls on the Accounting Standards Board to reform the present code on pension funds. It says reform is needed in the light of the Robert Maxwell affair and the review of the legal framework for pensions following the Goode Report.

"It is not evident, as a matter of either law or economic reality, that employers can regard pension fund surpluses as their own unfettered property," says the report.

Mr Ron Paterson, a technical partner with Ernst and Young, and one of the authors, said: "It is a difficult legal and moral question as to who owns the surplus on a pension fund."

At present a company is entitled to show the surplus on a pension fund as an asset on the balance sheet, but UK GAAP insists that in practice the scheme members can generally exert a claim over the surpluses "to some degree".

Mr Paterson suggested that the board might be "outrunning" the ability of accountants to absorb new rules.

Labour issues blueprint for welfare reform

Andrew Adonis and **Philip Stephens** watch long-standing pledges being jettisoned

The Social Justice Commission created by John Smith, the leader of the opposition Labour party who died this year, sought yesterday to distance the party from its "tax and spend" reputation in welfare policy by setting out a 15-year strategy for reforming the UK's welfare state.

Mr Tony Blair, Labour's leader, seized on the long-awaited report of the commission chaired by Sir Gordon Borrie to signal the party's intention to ditch long-standing commitments to blanket increases in social benefits.

Backing many of the planks of the report prepared by the commission – a semi-independent group set up two years ago – Mr Blair flatly rejected the emphasis placed by the "old left" on alleviating poverty by raising benefit levels across the board.

Instead he insisted that Labour would craft a manifesto for a second-generation welfare state designed to spur self-improvement rather than to increase dependency on welfare.

Mr Blair's backing for the idea of integrating tax and benefits for the elderly to target resources on the poorest, and for the possibility of taxing the child benefit paid to the affluent, undercut two of the most important pledges given by Labour at the 1992 election.

Those pledges – to re-establish the link between pensions and child benefit and average earnings – committed Labour to spending an additional £3.5bn a year on higher benefits, and played a large part in its proposals for higher taxes.

The commission's report proposes to continue the government's policy of uprating the basic state pension only in line with prices. A new "pension guarantee" will ensure higher payments to poorer pensioners on an income-related basis.

Speaking at the launch of the report, Mr Blair signalled that it would not be a blueprint for the party's manifesto at the next general election.

But he indicated that many of its main proposals – on nursery education and on welfare to work benefits as well as pensions and child benefits – would form the basis of Labour's own proposals.

Sir Gordon Borrie, a former director-general of fair trading, presented the commission's report as a strategy of national renewal without serious tax implications for middle-income earners. "Ours is not a tax and spend strategy, squeezing a bit more money from the existing tax system to squeeze a bit more money into the existing benefits system."

The report proposes a "maximum tax bill" to limit to "no more than 50 per cent" the proportion of any individual's total income which could be paid in income tax and national insurance contributions combined.

A range of measures to boost employment and protect employees are set out, including a national minimum wage, and projects to help lone parents find childcare facilities and use to use wage subsidies to encourage employers to hire long-term unemployed people.

Blair's way to welfare

- "Give people a hand-up rather than a hand-out", using services such as childcare and training as well as income support and unemployment benefits.
- Adapt to the changing patterns of family life rather than be tied to the concept of the "nuclear family".
- Recognise that citizenship involved responsibilities as well as rights and abandon commands "from government on high" in favour of local decisions and public/private partnerships.

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

High-tech firms should get support

The government is being urged to formulate a policy that will encourage the start-up of high-technology and knowledge-based companies, following research into the fortunes of such businesses over a six-year period.

Professor David Storey, director of the small- and medium-sized enterprise centre at Warwick University, says there is clear evidence that high-tech companies grow more quickly than other start-ups.

More surprisingly, says Storey, their survival rate is significantly higher than that of typical small businesses.

The findings emerge from a study* of the performance of high-tech companies within and outside the UK's science parks between 1986 and 1992, co-authored by Storey. It shows that knowledge-based companies attached to science parks grew slightly more quickly than similar companies elsewhere.

The on-park companies also grew more quickly in terms of the number of people employed. However, being based on or off the park makes no difference to a company's chances of survival.

Storey says the study suggests the government must make a more robust effort to support high-tech start-ups. "I am normally strongly opposed to supporting start-ups," he says. "But high-tech start-ups are very important for the long-term development of the British economy."

According to the report, the government should also consider how to encourage the development of more science-based entrepreneurs. It shows that nearly half the founders of high-tech companies had a higher degree in a science-based subject.

"The single most important issue is that the supply of these potential entrepreneurs has to be supplemented," the report says.

The UK Science Park Association estimates nearly 412 companies employed 5,300 staff on UK science parks in 1986, when the study started. Seven years later there were 1,188 science park companies which between them employed nearly 20,000 people.

**Assessment of Firms located on and off Science Parks in the UK. By P Westhead and D Storey (Warwick Business School). Price £40 from HMSO.*

GLE back in black with £1.9m profit

Greater London Enterprise, the development agency owned by 13 London boroughs which has been restructuring for two years, last week reported profits of £1.9m in the year to 31 March, compared with a loss of £2m the previous year.

Nearly half the operating profit came from the investments made by its venture capital arm, GLE Development Capital, using the group's own funds. These investments are slowly being liquidated.

But GLE Development Capital earlier this year raised £3.5m from the pension fund of the London Borough of Newham to bring funds under management to £13.5m.

Mark Wignall, GLE Development Capital managing director, says the fund will invest as little as £100,000, although companies backed at this level will have to accept that up to a quarter of the money raised could be swallowed up in fees.

The group remains one of the few sources of small amounts of equity for London-based companies, according to Wignall.

Ignorance of CVAs risks businesses

The value of company voluntary arrangements as a rescue tool is not fully understood by a large number of accountants, bankers and solicitors, according to accountants Levy Gee.

Lack of familiarity with the procedures means many businesses are failing that could actually be saved, the firm says.

Levy Gee draws these conclusions from a survey of 700 bankers, solicitors and accountants which was conducted in the south of England.

CVAs are an arrangement between a company and its creditors to rehabilitate a company and enable it to attract new money.

How effective are Voluntary Arrangements? Price £25, available from Levy Gee. Tel 071 467 4000.

Richard Gourlay looks at the rescue service provided by a large practice of company doctors

Survival mission

When the Miller family set up Prestwick Holdings in 1969, it had a simple strategy – to be among the leading mass producers of printed circuit boards for electronics assemblers in Europe.

The company prospered for most of the years leading up to flotation in 1985. But since then Prestwick has stumbled though management changes, a boardroom coup and a collapse in profits that has left its shares languishing at less than half the issue price.

It might have been worse, however, without the intervention of Postern, the UK's only specialist corporate rescue service that brings a number of company doctors together in one organisation.

Headed by chairman Sir Lewis Robertson, a respected administrator and a chairman of several companies which have been rescued, Postern attempts to be fireman, resuscitation unit and convalescent home rolled into one.

Its work at Prestwick bore fruit in July when, seven months after being appointed by the Millers and other shareholders, new management seconded from Postern orchestrated a £4.5m rights issue that patched up a battered balance sheet.

But the bruising year spent appeasing mercurial banks and lurching from crisis to crisis vividly illustrates how company rescues rarely progress in a predictable fashion.

"Most of our companies are absolutely at death's door and facing closure when we start," says Archie Coulson, the Postern director who heads the rescue team and is now chairman at Prestwick. "But recovery is not a straight line, it's a very jagged path."

Normally Postern is called in by banks trying to prevent a company they have backed from going down in flames. But in the case of Prestwick – which is slightly smaller than the two largest UK independents, Exacta and ISL, both unquoted companies with sales of about £40m each – it was the Miller family that appealed for help.

The family's action was prompted by disquiet about the diversification strategy adopted by the then management in 1992, by which time no Millers were on the board despite their 25 per cent shareholding.

The move that upset Eric Miller, brother of the co-founder and former director, was Prestwick's £2m investment in Electroconnect, a designer of PCB prototypes bought the previous year.

"Prestwick had negligible profits and the balance sheet was very stretched with 100 per cent gearing," says Miller. "Debt was not being whittled down. It was suggested we talk to Lewis Robertson at Postern."

With the support of another shareholder bloc, Postern was appointed in early January this year and three Prestwick directors left the board.

As always when Postern goes into a company, its first almost obsessional interest is with cash. "We sit with the internal cash manager and produce a schedule that says line by line what the facility position is," says Coulson. The focus is the cash book and how much "headroom" there is between this and the banks' facility limits.

Very soon after he got his feet under the table Coulson had his first shock. Understandably, one of Coulson's first calls was on the regional manager of the Royal Bank of Scotland, Prestwick's main lenders. Coulson says this manager was "pleased to see the cavalry coming over the hill" and welcomed Postern on board.

It was therefore a surprise to Coulson in early February when at a routine meeting with the Royal Bank he was met by three executives from the special lending service – a euphemism for the loan recovery unit. Concerned with the security on its £3.8m facility, the Royal Bank dropped the bombshell that it would be appointing investigating accountants, Ernst & Young, at Prestwick. Coulson was aware these reports often lead to accountants recommending receivership.

> **When Postern goes into a company, its first almost obsessional interest is with cash**

"We went in thinking they [the Royal Bank] would be happy to support this restructuring," says Coulson. Suddenly that support was in doubt. It reinforces one of Coulson's rules of restructuring: "The trick is not to allow yourself, or more importantly the banks, to have any nasty surprises."

In the event, Ernst & Young produced a report that said the operational management could build a future for Prestwick and that Postern was addressing the issues.

One of the next significant problems was the rights issue. It was clear the company needed to be recapitalised and that Prestwick had a poor track record. To make matters worse, Coulson was bereft of advisers. Prestwick's brokers, Glasgow-based Speirs and Jeffrey, decided it could not back the rights issue; Prestwick was in arrears on dividend payments for a preference share issue the broker supported.

At the same time, and quite coincidentally, Prestwick's lawyer moved from his firm, McGrigor Donald, leaving the company deciding whether to follow him or bring a new partner quickly up to speed at the old firm.

Finally, Noble Grossart, the investment bank which as Prestwick's long-time adviser had been associated with the old management and failed strategy, was still evaluating the Postern management. "How was I to do a rights issue?" asked Coulson. "In terms of advisers I was a bit thin on the ground."

Meanwhile, Prestwick was facing ordinary operational problems. In particular, one large customer had started questioning the quality of PCBs it was receiving.

What seemed like a "king-size" problem at a critical juncture of the restructuring, however, turned out to be a financial issue. After checking on the quality, Coulson realised the customer was as concerned about Prestwick's finances as its ability to deliver quality products.

"The important thing in a recovery is you have to make sure you fire fight those issues on time before the customer says 'we don't know what these people are doing, we will get another supplier'," Coulson says.

Postern finally persuaded brokers Allied Provincial Services to support the rights issue. But in a chaotic eight weeks Prestwick first had to sell a subsidiary, appoint Paul Woodley as new finance director, develop a new business plan, produce acceptable interim figures and appoint a new board.

Trevor Humphries

Archie Coulson: 'Most of our companies are at death's door when we start'

By the time Prestwick produced preliminary figures in the year to August 1, which showed the company had returned to operating profits in the second half, Postern had won the time to consider its future.

Coulson believes there are a number of options, including vertical integration through the forging of links with a raw material supplier or equipment manufacturer. With the renewed shareholder support, merger with or acquisition of another PCB manufacturer is also likely to be carefully studied.

Routine operational problems nevertheless persist. The latest, alluded to in the interim results statement, concerns a shortfall in capacity utilisation in the multi-layer PCB plant. "The underlying problem is the operational gearing ratio of these big plants," Coulson says. "It does not take a big swing in orders to go from profits to losses."

Postern meets similar problems at each of the companies it works with – about half of which are private. The lessons learned in such situations are discussed extensively at regular meetings of Postern's six-member executive committee.

This committee not only includes Coulson and Sir Lewis, but Ken Scobie, former chief executive of Brent Walker, Stan Carslake, former head of Barclays Bank Intensive Care Unit, and Trevor Swete, former head of corporate finance at Hill Samuel.

These meetings will rake over issues ranging from capacity utilisation problems, such as those at Prestwick, to pricing and brand strategy and how to deal with banks.

"We have gathered together a load of information on how we crack issues in the field," says Coulson. "A lot is to do with good basic management. But by making Postern a company, we systematically put together the cumulative experience of all these guys. That is our real value."

TECHNOLOGY

Deborah Hargreaves looks at the role satellites can play in predicting crop yields

Farmers from outer space

John Fenton, an arable farmer in north Humberside, can pinpoint which parts of his 400-hectare holding make him the most money. He could be accurate in his predictions of crop yields down to a metre but mostly he measures the amount of grain harvested every rsix metres.

He can achieve this precision by using US navigational satellites in orbit 12,000 miles above the earth, which beam down to mark his exact location in a particular field. From the data collected on his fields, Fenton can build up a yield map of his entire farm.

"We've all known there are variations in crop yields across the field in the past, but this allows you to be much more specific about what you're doing," he says.

The satellite technology used by Fenton is not new, but its application to agriculture is being pioneered by Massey Ferguson, the agriculture machinery makers.

"It's a massive breakthrough to apply this to farming because it means you can manage different parts of the field differently and adapt your inputs of chemicals, seed and fertilisers accordingly," says Chris Dawson, a consultant who has worked with farmers applying the technique.

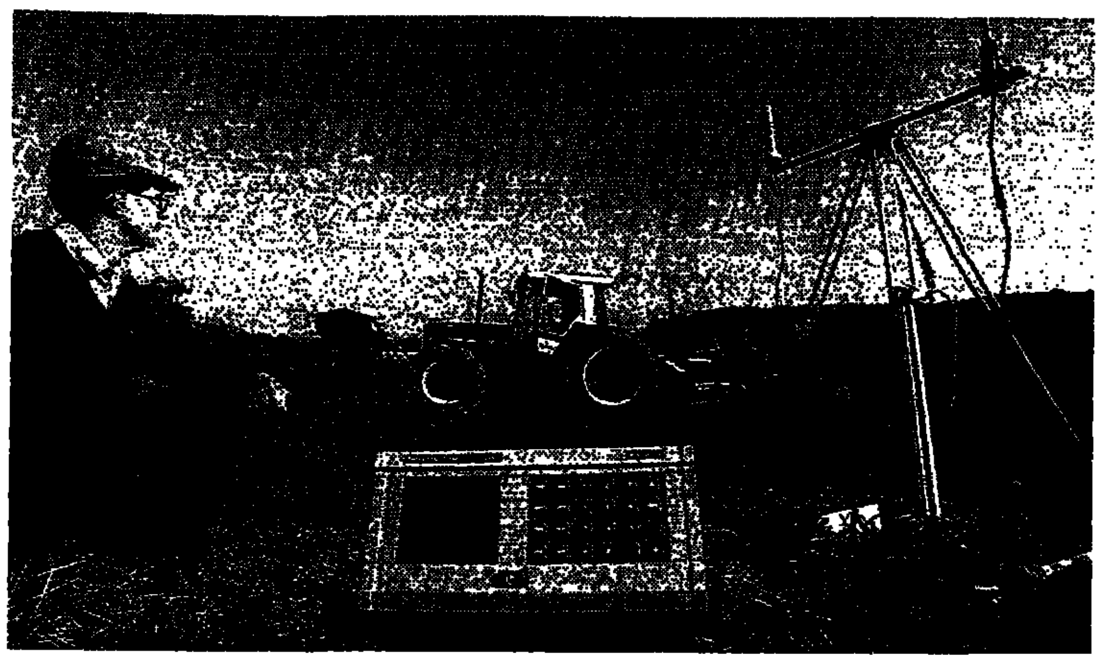
Massey Ferguson is combining its yield meter in a combine harvester, which measures the amount of grain harvested in each part of the field, with a Global Positioning System which uses satellites to tell the machine exactly where it is. Data collected in this way over several years can highlight vast differences in productivity between areas in the same field.

Dawson says that yields may vary by 50 per cent above or below the average across a field. This means farmers could see a yield of 3¼ tonnes of grain per hectare in one section of the field and as much as 10 tonnes in another part.

By pinpointing areas of the field with low yields, producers can take a closer look at them, for example analysing soil samples to see if the pH needs adjusting. They can also vary applications of chemicals and fertilisers.

"Some of the variability in yield will be attributable to factors such as acidity or poor drainage over which we have control," says Dawson.

"But some of it might relate to depth of the soil or just the nature of the soil itself."



Colin Beere

Grain gains: the navigational satellite seeding system is put to the test at Shuttleworth agricultural college in Bedfordshire

At this point, the farmer has to take a management decision about whether the poorer parts of his land will respond to increased use of fertilisers or chemicals or whether they just have intrinsically lower potential.

"There are parts of our fields that will never ever yield as much as 10 tonnes per hectare – our target yield. If you cut back on applications to those parts of the field, you can save a lot of money," Fenton explains. Fenton is farming on extremely fertile soil which makes his target yield a lot higher than average.

Using computer programs, a farmer can draw up a map for applying chemicals or seeds. That map can be fed on disk or smart card into a control unit on a conventional tractor or sprayer so that the machine automatically applies more or less seed or spray depending on where it is in the field.

Brian Welti, farm manager at Shuttleworth College Farm in Bedfordshire, planted Britain's first field of winter wheat earlier this month using a seed map developed from the yield mapping system. The navigational satellites told the machine exactly where the more productive areas in the field were and it automatically varied seed applications depending on its location.

By applying fewer seeds, chemicals or fertilisers to poor parts of the land, the farmer can make considerable savings as well as farm in a more environmentally friendly way.

"The environmental benefits are very very substantial. Before, we applied everything in a blanket fashion, and now we can target applications," says Fenton.

He has reduced the amount of nitrogen applied to the soil by 30 per cent and managed to cut the amount of nitrogen leaching from the soil by 60 per cent without losing yield. He targets the positioning of phosphate and potash fertilisers in direct proportion to the higher-yielding parts of the land.

In some respects, this technology is enabling farmers to produce in the same way as they did 30 years ago when their land was divided into much smaller fields. All of the fields had different characteristics and were dealt with individually.

But the drive for more efficient, large-scale farming, led to many farmers ripping out hedges in the 1970s and creating fields covering tens of hectares which would then be treated as one unit.

Fenton and Welti are two of 30 farmers currently using Massey Ferguson's equipment in the UK, but trials are also under way in Germany and Denmark as well as the US. Fenton believes the technology could be suitable for any arable farmer who wants to manage his business in a more precise way but, at the moment, the cost of the equipment could put off some producers.

The Global Positioning System, which can be moved into any piece of machinery, costs £11,500, but farmers need to have yield meters in their combine harvesters and computers for producing the maps.

Fenton believes that the savings offered by using the equipment can quickly repay its cost. For example, he has changed the way he cultivates oilseed rape as a result of the yield map and has subsequently reduced his costs from £26 a tonne to £9 a tonne.

"It has given me a wealth of information I wouldn't otherwise have had and has totally changed my farming technique," he says.

An eye on the crops

Satellite technology is being harnessed to help farmers plant crops, but satellites are also being employed by governments as their spy in the sky to check what producers have planted and whether they are cheating on their claims for European Union subsidies.

All EU governments, except Luxembourg, are using satellite imagery to ensure that producers' claim forms for farm support match up with what is on the ground. With more than £28bn in subsidies at stake, remote sensing has become an integral part of the Common Agricultural Policy.

Interpreting satellite imagery to distinguish which crops have been planted and the extent of farmers' holdings has improved rapidly over the years. Four years ago, it was used on a purely experimental basis, but this year most EU members have harnessed it as a vital tool in tracking fraud.

Neil Pattie at the National Remote Sensing Centre in Farnborough, which has the contract for checking UK producers, says each crop has its own "fingerprint" on an infra-red image. A computer interprets these "fingerprints" to produce a map marked with different colours. Oilseed rape, for example, is pink, in contrast to its bright yellow hue in the field.

"Our job is to flag up discrepancies between the information included on farmers' claim forms and the crop on the ground," he says. Producers will not be penalised on satellite imagery alone – the Ministry of Agriculture will send a local inspector to look at farms where anomalies appear.

Pattie is not allowed to reveal how much fraud his system uncovers but cites a "small but significant number of discrepancies".

An official from the National Farmers' Union in Brussels points out that some of the satellite images have been so good they have shown up farm management details. For example, one farmer had not applied herbicide to rape crops and the images showed the spread of poppies in the field.

Coming up with the write stuff

Tom Foremski reports on a new product which reads handwriting

A software package that dramatically improves the ability of computers to recognise handwritten characters has been devised by California-based Palm Computing.

Called Graffiti, the package takes a different approach to earlier attempts at handwriting recognition by teaching users to write characters in a unique way. The software recognises them and translates them into computer text.

Palm says Graffiti achieves 100 per cent character recognition – a feat other systems cannot come close to matching – after a short time spent by the user learning the required characters.

The software could boost sales of small, hand-held computers, called personal digital assistants. PDA sales have so far failed to meet the levels predicted by market analysts a year ago. They have floundered partly because of their disappointing performance in recognising handwritten text, which users enter using a special stylus instead of a keyboard.

Producing PDAs that can recognise handwritten characters has proved a punishing challenge. Apple Computer promised that its Newton MessagePad could recognise complete words. But it took users considerable time and effort to teach the Newton to recognise their handwriting, and even then the device often misread the text.

Graffiti presents users with a box measuring 1 sq in on the computer display screen, into which they write single letters one after another; each new letter overwrites the last, and appears in computer text on the PDA screen. Most characters are written in a way very similar to that in which most people write already, but seven characters, including the letters "k" and "a" are written slightly differently to minimise confusion between letters and numbers.

According to Kimball Brown, analyst at market research firm Dataquest: "It basically teaches people how to write so that the PDA will recognise their characters, instead of trying to teach the PDA how to recognise a wide variety of different handwriting."

The software also allows users to enter large blocks of text, such as commonly used phrases, by writing a two-character abbreviation.

Ed Colligan, vice-president of marketing at Palm Computing, says the time it takes to learn the system will be "more than compensated for by the increased capabilities Graffiti provides".

Palm is encouraged by the results of focus groups involving 80 users, in which more than 90 per cent of Newton and Tandy Zoomer PDA owners who tried Graffiti said they would buy it.

The company claims several leading computer manufacturers plan to include Graffiti with new PDAs and hand-held computers. But it says it will not sell an exclusive licence to any single manufacturer. "We see Graffiti as an enabling technology. If it helps boost sales of PDAs and hand-held devices everybody will benefit, and we can sell more of our other applications," explains Colligan.

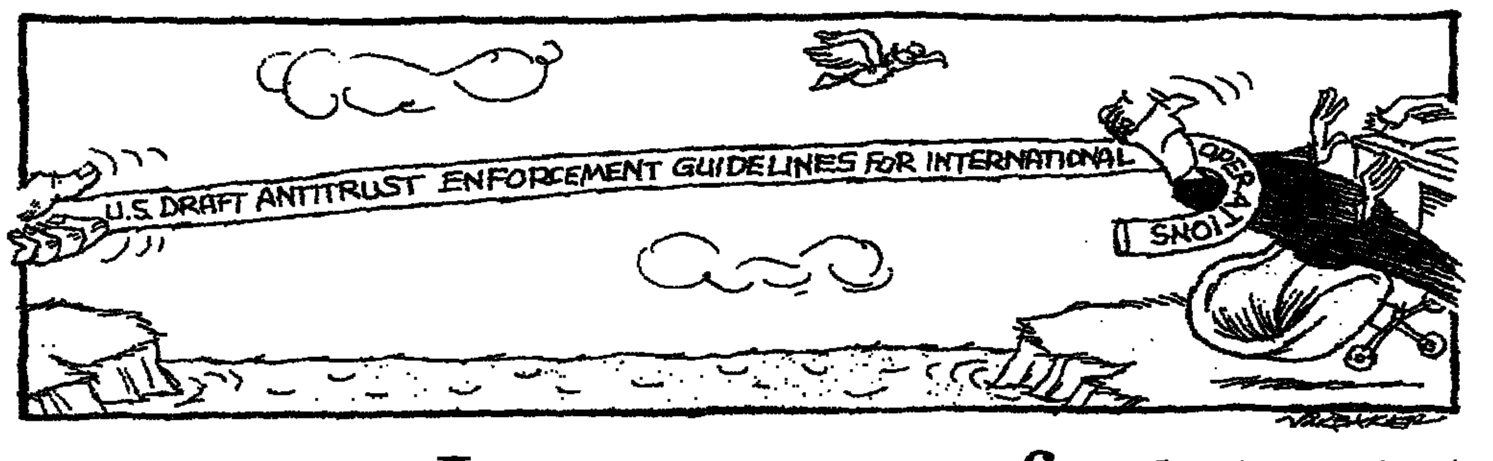
Graffiti is also likely to be used in new types of pager. Since its screen requirement is so small, leading pager manufacturers such as Motorola plan to introduce products that will allow users to send short messages quickly by writing on a small screen with a special stylus.

"Graffiti is a significant technology breakthrough which enables development of pocket-sized devices with robust data input capabilities," says Doug Brackbill, vice-president at US-based wireless communications firm Mobile Telecommunication Technologies.

Graffiti recognises all Roman-alphabet characters and Greek mathematical symbols. Palm is working on a Japanese version, and hopes Graffiti will become an industry standard.

In the US Graffiti costs $79 (£50) and is available in versions for the Apple Newton, Tandy Zoomer and AST GridPad. A version for PDAs based on General Magic's Magic Cap and Microsoft WinPad systems is forthcoming. The product will be available from European suppliers in the next few weeks.

BUSINESS AND THE LAW



Long arm of US regulations

Terry Calvani on draft guidelines for the application of antitrust laws abroad

The application of American antitrust, or competition, laws outside the US has long been a source of friction between the US and its trading partners. The international business community has suffered from not knowing how far US regulators will go in asserting jurisdiction over anti-competitive conduct outside US borders.

In spite of guidelines issued by previous US administrations, and several attempts to clarify the issue in the US Supreme Court, that uncertainty not only remains but appears to have increased.

Ten days ago, the Clinton administration at long last published its draft Antitrust Enforcement Guidelines for International Operations. The new guidelines should be of interest to business executives, trade associations and their lawyers as an indication of the current administration's intentions to enforce US antitrust laws abroad.

Since this raises the prospect of foreign nationals being prosecuted by US authorities for anti-competitive conduct that takes place outside the US and that is legal in their home country, it involves delicate questions of law and public policy. Though the guidelines are only in draft form, they are important.

Although the guidelines address numerous issues, the extraterritorial application of US antitrust law is the centrepiece.

Assertion of US antitrust laws abroad has had a tortuous and controversial history. In 1909, the US Supreme Court ruled that the legality of conduct must be determined by the law of the place where it occurred. This "presumption of territoriality" was relied on by US courts to determine the reach of Federal legislation until 1945 when, in the Aluminum Co of America (Alcoa) case, the Supreme Court adopted what became known as the "effects test". The justices ruled the US may impose liability on persons not within its allegiance for conduct that took place outside its borders if it has an effect within the US.

This statement of the law was adopted by the US courts and ultimately refined into the principle that any conduct having a direct, substantial and reasonably foreseeable effect on US commerce is subject to US jurisdiction. The "effects test" is now embraced by many governments and the European Union.

The new guidelines assert US jurisdiction over foreign cartels (two or more companies which collude to fix prices or divide markets) that make substantial sales into the US. It does not matter if the cartel is wholly located outside the US, administered by foreign nationals and is legal in its home country. It does not matter if the cartel does not sell directly into the US, but through intermediaries, or if the price of its goods into the US is lower than the "competitive price", which would benefit US consumers. And it does not matter if it is a buyer cartel seeking lower prices.

In keeping with recent cases against Japanese companies, the guidelines assert jurisdiction over wholly foreign cartels where there is not even a price effect within the US, but where the US government substantially funds the purchase of goods or services consumed abroad. Thus foreign cartel activity associated, for example, with a US Agency for International Development project abroad may be subject to US antitrust jurisdiction.

Embracing a change of policy made under the Bush administration, the new guidelines also assert jurisdiction over cartels that restrict US export opportunities. This would capture combinations of foreign companies (including trade associations) that adopt standards that hinder the ability of US companies to export their products.

In the context of mergers, the guidelines assert jurisdiction over the merger of two foreign companies, neither of which has a subsidiary or productive assets in the US, but which make sales into the US. While the prospect of dealing with several merger authorities may warm the hearts of competition lawyers, business executives may be less enthusiastic.

The guidelines are also important for what they do not say.

Previous international guidelines were an excellent repository of guidance on, for example, how the US government would assess the competitive consequences of joint ventures – domestic as well as foreign. Similarly, they contained the best analysis of the government's views on assessing concentration among competitors at auctions.

While it is arguable that these provisions were not unique to transnational issues and belonged elsewhere, their absence from the new international guidelines leaves business executives and their lawyers without guidance. Does the rescission of the previous guidelines and the failure of the new ones to address these issues signal a change of policy on joint venture analysis?

The curious thing about the guidelines is not their content. On the issue of the extraterritorial application of antitrust laws, the guidance is simply the "effects test" writ large. The puzzle is why the US wants to convey the message at all.

Under US law it is permissible to abduct foreign nationals from their own countries, take them back to the US and put them on trial for offences under US law which took place abroad. Assuming that such a law is appropriate and generally would not be found offensive, it would be curious to see the US government trumpeting the virtues of such a policy. Such laws, it might be expected, would be employed sparingly and only where there was a strong national interest at stake that warranted the compromise of another nation's sovereignty.

While there is nothing within the new guidelines that is at odds with an aggressive application of the "effects test", one might question whether the prominent proclamation of the guidelines is consistent with a friction-free system of international antitrust co-operation.

The timing of the new guidelines is also curious. It is no secret that the Clinton administration would like to see more international agreements that facilitate US antitrust investigations abroad. The recently enacted International Antitrust Enforcement Assistance Act 1994 would further that objective. These guidelines would seem to undermine that effort. It is unlikely that foreign trade departments will view them as an early Christmas present.

Indeed, many may wonder whether the new US guidelines signal a renewed interest in the jingoistic application of US antitrust abroad, and should be met with opposition rather than co-operation. The draft guidelines should provoke interesting responses.

The author is a partner in US law firm Pillsbury Madison & Sutro and former commissioner of the US Federal Trade Commission, 1983-90

French monopolies in insemination approved

EUROPEAN COURT

The European Court has ruled that regulations governing bovine insemination centres in France do not infringe Treaty of Rome competition or free movement of goods rules.

The Court said that rules applicable to monopolies permit approved insemination centres to be granted certain exclusive rights within a defined geographical area. Charging customers for the additional costs actually incurred when insemination centres were requested to supply semen from other member countries did not constitute abuse of their dominant position. Moreover, the free movement rules and stock-breeding directives did not preclude national rules requiring EC semen importers to deliver imports to an approved centre.

The rulings were given in response to two questions referred by the French Court of Cassation in proceedings between the Crespelle insemination centre and the Mayenne production and insemination co-operative.

The Crespelle centre had operated bovine semen storage units and carried out insemination in part of the Mayenne Department since 1961. The Mayenne co-operative, which had exclusive rights under French rules since 1970 in the Mayenne Department, brought proceedings to enforce its exclusive rights against Crespelle.

Artificial insemination in France is regulated by a 1966 law on stock breeding which requires insemination centres to be authorised and to operate in a defined area with a local geographical monopoly. Any breeder within the area may request the local insemination centre to supply semen from production centres of their choice, but must pay the additional costs thereby incurred.

French rules require an importer from another EC country to deliver the semen to an approved centre, but he may build up a stock in a centre of his choice. EC directives cover insemination regulation but not yet the storage or use of semen in the country of import.

The ECJ first referred to the treaty rule which subjects businesses granted exclusive rights by member countries to the Rome treaty rules, including the competition rules. The Court said that the French rules granted exclusive rights to the insemination centres and created a dominant position by establishing a contiguous series of local monopolies covering France.

However, the Court confirmed that such national rules are prohibited only if, in merely exercising the exclusive right granted, the insemination centre cannot avoid abusing its dominant position. Since the alleged abuse in the present case was the charging of exorbitant prices by the centres, and that was not the direct consequence of national law, the law alone did not lead the centres to charge disproportionate costs and abuse their dominant position.

Where a business has an administrative monopoly, it will abuse its dominant position itself if it charges for its services fees which are disproportionate to the economic value of the service provided. According to the ECJ, there was no abuse provided the additional costs charged by the centres were actually incurred in meeting their customers' requests to supply imported semen.

The ECJ went on to find that the French storage rules for imported semen were a barrier to imports. The treaty, however, allows restrictions if justified on grounds of protection of the health and life of humans and animals.

Although EC directives cover certain aspects of insemination regulation, France argued that its rules were justified on public health grounds relating to the need to improve bovine stock geneticity. The Court found that the storage or use of semen in the country of import was not covered by the directives. Member countries, therefore, could rely on health grounds to restrict the free movement of bovine semen, provided the restrictive effects on intra-Community trade did not exceed what was necessary to achieve the aim in view.

The obligation to store semen in approved centres was found to apply without distinction to domestic and imported goods. However, the ECJ said it could not be ruled out that the restrictive effects on imports impeded the marketing of imported semen more than national products. Since there were no provisions preventing the centres applying unreasonable conditions or prices for storage, it was a question of fact for the national court to decide whether the operation of the approved centres amounted in practice to discrimination against imports.

Case C-323/93, Le Crespelle, ECJ FC, October 5 1994.

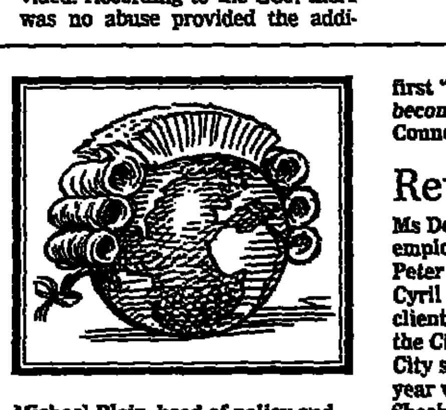
BRICK COURT CHAMBERS, BRUSSELS

LEGAL BRIEFS

Chairman of the Bar elected for next year

Mr Peter Goldsmith QC has been elected unopposed as chairman of the Bar for 1995. Mr Goldsmith, the current vice-chairman, is a commercial barrister.

Mr David Penry-Davey QC, leader of the South-Eastern Circuit, has been elected vice-chairman, and Mr



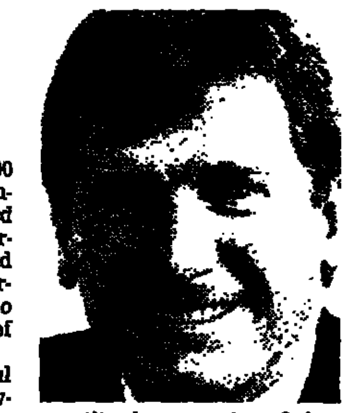
Michael Blair, head of policy and legal affairs at the Securities and Investments Board, has been elected treasurer. Mr Blair is the first "employed" barrister to become an officer of the Bar Council.

Return to City

Ms Denise Kingsmill, the employment lawyer who counts Mr Peter Woods of Direct Line and Mr Cyril Stein of Ladbrokes among her clients, has returned to practise in the City. Ms Kingsmill has joined City solicitors Denton Hall after a year working with Sir Patrick Sheehy, chairman of BAT Industries, as a member of his Rainbow consortium's bid for the National Lottery.

PEOPLE

Bayfield takes a seat on British Bus



Stephen Bayfield, 40, a partner in accountants Robson Rhodes, has decided to jump aboard British Bus to help Britain's biggest privately-owned bus company acquire even more bus companies.

Bayfield, who works in Robson Rhodes' corporate finance team, has been advising British Bus on aspects of corporate strategy and finance since plans were mooted to separate British Bus from National Express in 1992.

Gordon Watt, 41, British Bus's deputy chief executive, is also a former partner in Robson Rhodes and was keen to recruit another finance man. British Bus, whose interests range from Derby City Transport to Midland Fox and Crosville Wales, has more than doubled in size since its management buy-out in December 1992. It has 4,300 buses, a staff of 9,000 and turnover of £250m a year. It raised £35m of equity from Charterhouse and CINVen in May and has also increased its bank borrowings substantially to finance a steady stream of acquisitions.

Watt's formula for successful acquisitions is "to buy the revenue and cut costs". He believes that the combination of predictable cash flows, substantial capital investment and small need for working capital, means that bus companies can be much more highly geared and should start being regarded as akin to utilities. Although Watt says that the City does not "fully appreciate the cash-generative nature of the bus business", British Bus has been able to finance a hectic acquisition spree and its appetite shows no sign of abating.

Whether British Bus will turn into the modern-day equivalent of the old British Electric Traction company which once dominated Britain's bus industry, will depend partly on Bayfield, who will be responsible for group and acquisitions strategy. One of his first tasks will be to help decide when the time is ripe for British Bus to seek a stock market listing for its shares.

■ Stephen Barraclough, chief financial officer at News International for the past three years, is leaving to take up a similar post with EMI Music worldwide. His new job takes him and his family back to New York, where he was working as US finance and marketing director for Marks & Spencer before joining News International.

Barraclough, who is British, takes up his new job on December 1. He will report to the president and ceo, James Fifield, who says Barraclough "will play a significant part in the achievement of our long-term strategies". According to News International, Barraclough, 42, has "done an outstanding job of restructuring our financial operations and introducing more sophisticated planning and control procedures throughout the business".

■ CRH, the Irish building materials group, has appointed Liam O'Mahony as chief executive of Oldcastle Inc, the group's US operations. The move is part of a number of top management changes forced on the company following the death of chairman Des Traynor in June.

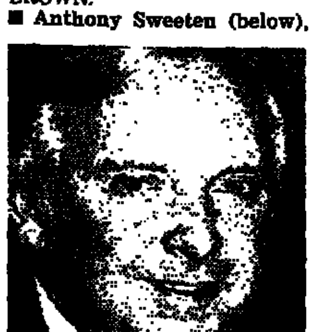
O'Mahony, 48, is currently managing director of CRH's Irish and UK operations. A civil engineer by background, he should be "well acquainted", according to a CRH director, with the US operations; he worked as chief operating officer of Oldcastle in the 1980s, when Don Godson, CRH's new chief executive, was running the US subsidiary.

O'Mahony's old job has been split, with Brian Griffin appointed managing director of the Irish operations, and Les Tench managing director of CRH Britain.

■ Kelvin Hide, formerly operations director, has been appointed commercial director of UNICHEM, following the earlier retirement of Bill Hart. Chris Etherington becomes director of operations for UniChem Wholesaling Division.

■ Gerry Cook, formerly merchandise director at Great Universal Stores, has been appointed merchandising director of J.D. Williams, part of N. BROWN.

■ Anthony Sweeten (below), md of the machine tool division and 600 Lathes, has been appointed to the main board of 600 Group.



■ Peter Gee, formerly chief executive of Periquito Hotels, and Alister Wilson, formerly senior hotel and tourism adviser for the EBRD, have been appointed vice-presidents of corporate development at HILTON INTERNATIONAL, based in Watford.

■ Philip Brown has been promoted to human resources director of CARADON Plastics.

■ John Conyngham has been appointed director of fraud and forensic services at CONTROL RISKS GROUP and to the board of Control Risks Ltd.

■ Nick Farrow, formerly md of Fluid Data in the UK, has been appointed md of ABB Process Analytics.

■ Judith Hanratty has been appointed company secretary of BRITISH PETROLEUM on the retirement of Richard Grayson.

■ Richard Arbuthnot, a director of four METALRAX subsidiaries, has been appointed to the group board.

■ Chris Vallance has been appointed an ICI corporate treasurer; he is replaced as finance director of ICI India by David Carter.

■ David Savill, formerly deputy secretary of British Telecommunications, has been appointed secretary to the POST OFFICE in succession to Morag Macdonald.

Non-executive directors

Edward Pickard, who was finance director of Invergordon Distillers until soon after it was taken over a year ago by Whyte & Mackay, has become a non-executive director of Macallan-Glenlivet, the quoted company which produces the Macallan, one of the better known single malt whiskies.

Invergordon drew its success from own label brands for supermarkets. In April, Chris Greig, who was Invergordon's chief executive, became a non-executive director of William Grant & Sons, the family-owned producer of Glenfiddich, the UK's leading single malt.

Pickard, 49, came to the whisky industry after spells as finance director of Wiggins Teape and as finance manager with John Menzies. At Invergordon he was involved in floating the company in 1990, and then in holding off Whyte & Mackay (part of American Brands) in 1991, before it succumbed last year.

■ Richard Guignard has resigned from CHURCHBURY ESTATES.

■ Michael Windsor, chairman of the Horstmann Group and Barry Wehmiller International, as chairman of TCI on the retirement of Norman Crocker.

■ John Parnaby, md of Lucas Electronic Systems Products, at SCOTTISHPOWER.

■ Colin Sharman, UK senior partner of KPMG Peat Marwick, at AEA TECHNOLOGY.

■ Andy Marshall, an agricultural consultant, Jonathan Tippett of Coopers and Lybrand's agriculture and bloodstock group, and Alastair Walker, retired director of Harrods, at LOSELEY PARK FARMS.

■ Frederick Bircher, a director of Powell Duffryn, at JONES & SHIPMAN.

■ Rhidian Brynmor Jones has resigned from SERCO GROUP.

■ Duncan Ferguson (below left), senior partner of Bacon & Woodrow, at HALIFAX BUILDING SOCIETY.

■ Giles Shepard (below right), former md of the Savoy Hotel, at GUINNESS MAHON & Co.

ARTS

Celebration gives food for thought

William Packer visits Paris for two exhibitions with very different views on British painting

D'outre-Manche, not quite "Across", as we have it, but "Beyond the Channel", with its faint hint at a somewhat greater psychological barrier, is a fascinating and even shocking exhibition.

Here is no full and scholarly study of its subject and period – British art up to the time of Queen Victoria – drawn from the wealth of French public taste and connoisseurship. But, rather, a parade of historic French attitudes and assumptions upon the art of our fog-shrouded and barbarous land, that amounts to a confession.

If that wealth is not drawn upon, it is because that wealth is not there.

The French have never bothered to acquire the art of the British school – the distinction between the English, the Irish and the Scots is seldom made, and *école Anglais* usually stands for all – in any substantial or comprehensive fashion, for they have never taken our visual culture seriously. And what they do not take seriously, they do not choose to understand.

The contrast between our own National Gallery and the Louvre in generosity of interest and critical even-handedness, could hardly be greater.

In Trafalgar Square we find an account of the post-Renaissance European tradition that gives each national school its due, the French along with the Italian, the Spanish, the Dutch and, yes, the British. What gaps there are, as in the German and northern schools, they are admitted and, as far as limited resources allow, addressed.

'Captain Hay of Spott' by Sir Henry Raeburn (1756-1823)

Never so, it would seem, along the quai du Louvre. "How did I find the show?" asked my friend in the Louvre's *service presse*, a little anxiously, and gave at once her own pre-emptive answer: *"il y a beaucoup des trous."*

The show does contain some lovely things, with the magnificent Gainsborough full-length of Lady Alston, green silk and grey shawl against a darkly romantic setting, the best of all.

There are some good Reynolds, a decent Stubbs of Lord Curzon and his horse, the splendid "Captain Hay of Spott" by Raeburn and any number of Lawrences – Lawrence after all was the painter of Europe's grandees in the post-Napoleonic dispensation and was for a generation the best-known English painter of them all.

But we know, and at heart the French know, that there is more to the British School than the brief flourish of the late-Georgian swagger portrait.

So where do we begin? Neither with Holbein nor yet with Van Dyck, for they are foreigners, so a fine full-length of Edward VI by William Scrots, a Dutchman, will do.

What then of the Elizabethan miniaturists, Hilliard perhaps? But there is, it seems, no Hilliard in France, and a single, exquisite portrait of the fated Earl of Essex by Isaac Oliver, a Frenchman, must do. Into the 17th century we go, and to the Cavaliers and the Restoration, so with no Van Dyck, what about Dobson? No Dobson, but a little later there is Lely. Wasn't he a foreigner, too?

Never mind. The 18th century will sort things out. Philippe Mercier and Heinrich Fussli (Fuseli to us) are in, I see. Odd that. But we shall really get going with Hogarth, shan't we, surely the first great painter of the truly English school. Shan't we?

But the French, we find, have this funny idea that Hogarth wasn't really a painter at all, but an engraver – and indeed this show reveals the curious fixed idea that it was in the general commercial development of print-making that our peculiarly English talents were declared.

So there is not a single Hogarth painting in the show, but only the engraved version of the "Marriage à la Mode". Thomas Girtin is represented by a single acquatint of the "Porte Saint Denis", Rowlandson by three satirical etchings among a group by Gillray and Cruikshank. That group is at least included, bitterly anti-French as its satires are.

'Portrait of Madame Ducrest de Villeneuve' by Sir Thomas Lawrence (1769-1830)

What else? A few good watercolours by Bonington, Constable, Boys and Cox, miscellaneous drawings, some good oils including a Bonington "Doges' Palace", Constable's "Weymouth Bay" and "Helmingham Dell", and a late unfinished Turner landscape, vaporous and magical.

And that, of any substance, is it. This is, indeed, a show which gives us rather more to think about than actually to see.

The smaller show at the Musee Carnavalet is a wonderful corrective, if only because the prejudice is openly celebrated in terms that are often as hugely enjoyable as they are grotesque.

A run of post-Napoleonic jokes about French girls finding any excuse to peer up the kilts of Scottish soldiers gets us off to a good start and there is no looking back, or down.

Randy *rost-bifs* and their prim, boot-faced wives on the one hand, seductive girls and effete "frogs" on the other, the ancient mutual stereotypes are funny still.

But jokes apart, the show does make the serious point that the English love affair with France had its cultural aspect, and bore real fruit in the work of our tourist painters. Thus represented here are not only the better-known figures of Turner, Cox, Bonington, Girtin and Boys, but also such comparatively minor, but still accomplished, artists as Holland, Wyld, Callow, Chalon ... and we think on to Whistler, Sickert, Nicholson ...

France to us, and Paris above all, has always been irresistible.

D'outre-Manche – British art in French public collections: Musee du Louvre, Paris 1e, until December 19. Les Anglais a Paris au 19e siecle: Musee Carnavalet, Paris 4e, until December 11.

Wexford Festival

Youthful expertise discovered

Many leading composers have written journeyman operas which we never hear – youthful efforts, or tame, ineffectual ones, or unstageable mistakes. The intrepid Wexford Festival has tried on perhaps two or three of those, but it wisely prefers obscure operas with some dramatic spark worth fanning.

Young Wagner's *Das Liebesverbot* ("The ban on love") is another case altogether: a sparky, vital piece which happened to be composed before Wagner had learned to be Wagner.

Had it been by, say, Goetz, it might have had a secure little niche in the repertoire these many years. Wagner wrote it at 21; it had a single, ruinous performance and no other in his lifetime. His successes with *Rienzi* and *The Flying Dutchman* were soon to come, and after that a revival of his juvenile comedy would have been beside the point. (He did later make a gift of the score to King Ludwig, deprecating it as a *"Jugendsünde"*, a youthful sin.)

The fact is that hardly anything in *Das Liebesverbot* betrays the mature composer; and yet it has the expertise, the pace and even the artful characterisations of a thorough professional. Lessons from Meyerbeer and Auber had been well learned.

The piece is drawn from Shakespeare's *Measure from Measure*: brashly, for everything problematic or disturbing in that "dark comedy" has been heedlessly jettisoned. *Das Liebesverbot* simply waves a banner for youthful love and lust against hypocritical moralising – especially Teutonic moralising, as Wagner stressed by transferring the action to a hedonistic Sicily, and turning Shakespeare's baneful Angelo into Friedrich, the German Regent.

At Wexford the conductor Yves Abel strikes sparks from the start, with a crackling operetta-dash. In no time at all Luzio, Antonio and Angelo (a different one!) are embattled with the Bill, who want to tear down the carnival decorations. Soon we recognise Claudio and his pious sister Isabella (Peter Svensson and Marie Plette – both excellent), the one threatened with death for the crime of falling in love (or something like that) and the other – secretly – with having to grant Friedrich her favours to save her brother.

In due course Friedrich himself appears, in the properly heavy, brooding person of Robert Holzer.

In his dark music lie almost the only hints of the Wagner to come – a touch of Tannhäuser, to add to the simple pre-echoes of *Lohengrin*. But he has strong competition from the comics: an exuberant, stentorian Police Chief (Gidon Saks), a pert maid Dorella (Majella Cullagh), the eccentric Pontio Pilato (Valentin Jar).

And the climax of the piece is the wild carnival, thriftily staged by Dieter Kaegi with everybody in their underwear and some exiguous masks, at the end of which they all – even Isabella, and a contrite Friedrich – find somebody to marry at once.

I must also mention the cool, attractive mezzo Marit Sauramo as Friedrich's forsaken wife Mariana, who holds the key to the dénouement. Even then, there are other singers who deserve warm notice; but it will have to suffice to insist that this bright, fleet comedy (judiciously trimmed to make it swifter still) is another clear Wexford hit, well-aimed and irresistibly carried through.

Perhaps after all, *Das Liebesverbot* may now come to slip into the repertoire as a rewarding Wagnerian sport, with the hearty welcome it deserves.

David Murray

Theatre/**Karen Fricker**

Mixed-up Risen People

Jim Sheridan, the award-winning writer/director of such films as *In The Name of the Father* and *My Left Foot*, has returned to his theatrical roots with *The Risen People*, the story of the 1913 Irish labour lockout which he has co-adapted and co-directed with his brother Peter at Dublin's Gaiety Theatre.

Sheridan has said that he took on the project, his first play in nearly a decade, as an experiment to incorporate the grand gestures of opera into theatre.

And indeed there is much that is operatic about *The Risen People*: from the size of the cast – 15 principals, four singers and 21 supernumeraries – to the look and scale of the production. On a massive, elegant set of receding angled frames, a state-of-the-art lighting system projects scenes – from Dublin life to sung scenes from *Aida* – that mingle with the action on stage.

But the medium *The Risen People* most brings to mind is film, not opera, as it appears to bring cinematic storytelling techniques to the stage.

Scenes overlap in a series of montages, plots and subplots mingle and accumulate, character is revealed less through dialogue or symbolic action than through behaviour.

The crucial element the Sheridans fail to provide is the camera, or its stage equivalent. There is no dramatic focus to the action, no cues given to the viewer on where to look or how to absorb the goings-on, and no gradation between the intimate and grand-scale.

The Risen People tells the true story of the first organised labour uprising in Ireland, in which 400 employers, led by William Martin Murphy, banded together against a nascent union movement headed by the Englishman "Big" Jim Larkin.

Starvation and violence plagued the striking workers and their families, and they were on the verge of admitting defeat when the conflict was overshadowed by the outbreak of the first world war.

The Sheridan brothers first directed *The Risen People*, based on James Plunkett's 1958 play of the same name on which he also based his best-selling novel *Strumpet City*, in 1977 during their stint as artistic directors of Dublin's Project Arts Centre.

This production features some of the leading talents in Irish theatre – Donal Donnelly and Johnny Murphy are in wizened good form, though Tom Hickey looks to be marking time – as well as less seasoned performers.

David Herlihy makes a strong showing as Fitz, the young labour organiser, but Lorraine Pilkington is out of her depth as his wife, Annie. It is her Aida-like struggle between her love for Fitz and her allegiance to her privileged father which is the ostensible reason for the distracting and faintly ridiculous inclusion of portions of that opera in the show.

The Risen People is the most expensive production in Irish theatre history, with a budget estimated at I£300,000 (£297,000)-I£500,000. Jim Sheridan is listed as producer as well as adaptor/director, so we can assume that he has provided at least part of the funds from his film-making profits.

Such reinvestment of film money back into theatre is an enlightened idea that has taken hold in the US. It would be churlish not to applaud the establishment of such a precedent in Ireland, but lax to do anything but chide an artistic effort as sloppy as *The Risen People*.

The Risen People is playing at the Gaiety Theatre, Dublin, through November.

Concert/**Paul Driver**

Intimacy in Festival Hall

The BBC Symphony Orchestra's concert on Saturday night was given as part of the South Bank's Deutsche Romantik festival and under that rubric was remarkable for turning the Festival Hall into a recording studio for radio drama, notably Byron's *Manfred* as fitted out with music by Schumann.

But the second half seemed to round off the BBC's own "Reinventing the Orchestra" Berlioz series, comprising the *romantisme* of Berlioz's *Harold in Italy* symphony in which the superb soloist was the Japanese viola player Nobuko Imai. Two Romanticisms for the price of one, and that price the very economical BBC tenner giving free access to the hall's main floor.

Thanks to this pricing policy, the BBC Symphony winter concerts are at last gaining sensible audiences, and in more than one meaning of the word, for those who turned up on Saturday were rewarded with very fine playing. The *Manfred* overture and incidental music Op.115 (1848) is a late work of Schumann's seldom heard in its entirety, though the overture is familiar enough. Given that Byron did not intend his verse drama to be staged – it is typically Romantic theatre of the mind – and that Schumann's recension of it is not obviously designed for performance whether as accompanied play, dramatic cantata or opera *manqué*, it is hard to see how Op.115 can be properly presented at all, still less establish itself.

For this performance Jeremy Sams arranged Schumann's reduction of Byron's text as a telling sequence of gobbets spoken by three actors (whom he directed) at the front of the platform, with the orchestra behind, the BBC Symphony Chorus behind the players, and to stage-left a quartet of vocal soloists representing the Four Spirits whom Manfred with his occult powers invokes.

Philip Franks took the role of Manfred, the quasi-Faustian, proto-Nietzschean restless spiritual voyager, with a passion and aplomb – the verse-line weighed with the most exacting care and given, where apt, a ringing vehemence that never once seemed hollow – which threatened to upstage the music. With his fellow actors David Firth and Maria Friedman, he created a vivid dramatic immediacy remarkable in so large a hall.

Schumann wrote no more music for the play than would probably have been commissioned by a radio producer, but his score contains some delightful inventions. The overture holds a gentle air of mystery and foreboding and was skilfully balanced by conductor Andrew Davis, whose placing of the double basses at the rear opposite him had a subtly beneficial effect here and throughout the concert.

The orchestral accompaniment to Manfred's speech hailing the Witch of the Alps has a quicksilver quality rare in Schumann, more common in Mendelssohn; while in the bleakly unwinding violin melody for the invocation of Astarte's ghost was a distinct if unlikely pre-echo of Shostakovich.

After such an enterprising event the Tokyo Philharmonic Orchestra's Festival Hall concert under its colourfully gestural chief conductor Kazushi Ono the following night seemed a routine affair.

Strauss's *Don Juan* and Ravel's *Daphnis and Chloë* second suite showed that this orchestra can do the big banging *tutti* with the best of them, and show off the feathery delicacy too; but the crucial middle range of textural and dynamic gradation was scamped.

Prokofiev's second violin concerto got an unenlivening performance from soloist Raphael Oleg; and Masataka Matsuo's *Phonosphere 1* for Kifu Mitsuhashi's shakuhachi (bamboo flute) and orchestra (1993) was a highly accomplished exercise in cultural synthesis that left me cold.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Ken-Ichiro Kobayashi conducts Netherlands Philharmonic Orchestra in works by Beethoven, Grieg and Tchaikovsky. Tonight (Kleine Zaal): Thomas Quastoff song recital. Tomorrow, Thurs, Fri, Sun afternoon: Claus Peter Flor conducts Royal Concertgebouw Orchestra in Schoenberg and Brahms, with instrumental soloists Michael Erxleben and Emanuel Ax. Sat afternoon: Ingo Metzmacher conducts Radio Chamber Orchestra in Ives, Van Norden, Milhaud and Thomson, with violin soloist Isabelle van Keulen. Sat evening: Philippe Entremont conducts Netherlands Chamber Orchestra in Webern, Mozart, Berg and Haydn, with violin soloist Olivier Charlier. Sun evening: Passione Piano Quartet and friends play chamber music by Brahms (24-hour information service 020-675 4411 ticket reservations 020-671 8345)

Muziektheater Tomorrow, Sun: Graeme Jenkins conducts final performances of Jürgen Flimm's production of Le nozze di Figaro, with cast headed by Joan Rodgers and Dean Peterson. Next Wed: world premiere of Louis Andriessen's new opera Rosa, with scenario by Peter Greenaway (020-625 5455)

■ BRUSSELS

CONCERTS

Tonight (Royal Conservatory): Domus Quartet plays piano quartets by Mozart, Schumann and Brahms. Tomorrow (Royal Conservatory): Thomas Zehetmair violin recital. Thurs (Palais des Beaux Arts): John Nelson conducts Orchestra of the Monnaie in works by Mendelssohn and Brahms. Thurs (Eglise des Minimes): Philippe Herreweghe conducts Ensemble Vocal Européen in works by Cardoso and Monteverdi. Nov 3: Maria Joao Pires piano recital (02-507 8200)

■ CHICAGO

MUSIC

Chicago Symphony In tonight's concert, Michiyoshi Inoue conducts Mozart arias and Mahler's Fourth Symphony, with soprano Sylvia McNair. On Thurs, Fri and Sat, Dennis Russell Davies conducts works by Haydn, Ginastera, Mackey and Ravel, with violin soloist Ruben D'Artagnan Gonzalez. On Sun afternoon, Alicia de Larrocha plays piano music by Granados (312-435 6666)

Lyric Opera Mirella Freni and Placido Domingo star in Giordano's Fedora tomorrow and Sat (continues till Nov 10). John Copley's production of Il barbiere di Siviglia is revived on Thurs, with a cast including Thomas Allen, Frederica von Stade, Rockwell Blake, Nicolai Ghiaurov and Claudio Desderi (till Nov 16). There is a final performance of The Rake's Progress on Fri, with a cast headed by Jerry Hadley, Ruth Ann Swenson and Samuel Ramey (312-332 2244)

THEATRE

● Angels in America: the national touring version of Tony Kushner's two-part epic is directed by Michael Mayer, with Jonathan Hadary as Roy Kohn (Royal George 312-988 9000)

● The Sisters Rosensweig: Wendy Wasserstein's hit Broadway comedy about the mid-life reunion of three Jewish sisters from Brooklyn (Shubert 312-902 1500)

● The Winter's Tale: Shakespeare Repertory has the Chicago market cornered on productions of the Bard's works. Artistic director Barbara Gaines has a go at his late romance (Shakespeare Repertory 312-642 2273)

■ GHENT

de Vlaamse Opera Tonight, Sun: Silvio Varviso conducts final performances of Guy Joosten's production of Don Giovanni, with cast headed by Jeffrey Black, Hillevi Martinpelto and Patricia Racette (09-225 2425)

■ THE HAGUE

Dr Anton Philipszaal Thurs, Fri: Vassili Sinaiski conducts Hague Philharmonic Orchestra in works by Strauss and Mahler, with soprano Andrea Catzel. Sun afternoon: alternative programme including Mozart's Piano Concerto No 21, played by Nikolai Luganski (070-360 9810)

■ ROTTERDAM

De Doelen Tonight: Roberto Benzi conducts National Youth Orchestra in works by Rakhmaninov and Rimsky-Korsakov, with piano soloist Enrico Pace. Tomorrow and Thurs: New London Chorale presents a programme entitled The Young Tchaikovsky and The Young Amadeus. Fri, Sun afternoon: Daniel Harding conducts Rotterdam Philharmonic Orchestra in Tchaikovsky, Stravinsky and Ravel, with piano soloist Peter Donohoe (010-217 1717)

■ VIENNA

CONCERTS

● Rafael Frühbeck de Burgos conducts Vienna Symphony Orchestra tonight at the Konzerthaus in works by Apostel, Krenek and Brahms. Leif Ove Andsnes gives a piano recital tomorrow, followed by Oleg Maisenberg on Sat (712 1211). Kenneth Sillito directs the Academy of St Martin in the Fields at the Musikverein on Thurs and Fri, with piano soloists Barbara Moser and Paul Gulda. Neville Marriner conducts Beethoven's Missa Solemnis next Tues (505 8190)

● Vienna's annual contemporary music festival, Wien Modern, runs till Nov 28, with daily performances at a variety of venues around the city. This year's featured composers are Morton Feldman, George Crumb, Helmut Lachenmann, Karl Schiske and Günter Kahowez. This week's concerts feature the Kronos Quartet, Klangforum Wien under Arturo Tamayo, and the violinist Ernst Kovacic. Claudio Abbado, the festival's artistic director, will conduct a concert on Nov 6 (7124 6860)

OPERA

● Riccardo Muti conducts seven performances of Roberto de Simone's production of Così fan tutte at Theater an der Wien, opening on Sun. The cast features Barbara Frittoli, Vesselina Kasarova, Cecilia Bartoli, Michael Shade, Boje Skovhus and Alessandro Corbelli (58885)

● The Staatsoper is closed for technical alterations till Dec 14. Repertory at the Volksoper includes a new production of Otto Nicolai's comic opera Die lustigen Weiber von Windsor (51444 2959/51444 2969/513 1513)

■ WASHINGTON

MUSIC

● Borodin String Quartet gives a recital on Thurs at Terrace Theatre. Marin Alsop conducts the National Symphony Orchestra on Thurs, Fri and Sat at Kennedy Center Concert Hall, in a programme including Schumann's Cello Concerto (Gustav Rivinius) and Tchaikovsky's Fifth Symphony. Shlomo Mintz directs the Israel Chamber Orchestra on Sun afternoon in works by Schubert, Stravinsky and Mozart (202-467 4600)

● Jazz/pop vocalist Mel Tormé gives concerts on Thurs, Fri, Sat and Sun at Baltimore's Joseph Meyerhoff Symphony Hall (410-783 8000)

THEATRE

● Old Times: Washington Stage Guild presents Harold Pinter's play about power within relationships, directed by John MacDonald. Till Nov 20 (202-529 2084)

● A Perfect Ganesh: Terrence McNally's play about two New England matrons on a personal quest journeying through India. Till Sun at the Kreeger (202-488 3300)

● Henry IV: Michel Kahn directs this adaptation of Parts I and II of Shakespeare's history plays. A Shakespeare Theater production at the Lansburgh. Till Sun (202-393 2700)

● Duet: Otho Eskin's play explores what might have happened if Sarah Bernhardt and Eleonora Duse had met. Opens on Sat for a week of performances at the Folger Shakespeare Library (703-549 0002)

■ ZURICH

Tonhalle Tonight, tomorrow, Thurs: Marek Janowski conducts Tonhalle Orchestra in Strauss' Metamorphosen and Mahler's Das Lied von der Erde, with Jard van Nes and Keith Lewis. Next Tues: Wolfgang Holzmair song recital (01-261 1600)

Opernhaus Tomorrow, Sat: Ralf Weikert conducts Ruth Berghaus' new production of Katya Kabanova, with cast headed by Ana Pusar and Peter Straka. Thurs: Il barbiere di Siviglia. Fri: Die Zauberflöte. Sun: first night of new ballet production, including choreographies by Hans van Manen and Bernd Bienert (01-262 0909)

Schauspielhaus Tonight, tomorrow: Chekhov's Three Sisters. Fri, Sat: David Mamet's Oleanna. Next Mon: Büchner's Dantons Tod (01-221 2283)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Gerstner bytes back

The IBM chief has won some respite, says Louise Kehoe

Mr Lou Gerstner is becoming a Wall Street hero. Since taking over at the helm of International Business Machines 18 months ago, Mr Gerstner has engineered a remarkable turnaround in the financial performance of the world's largest computer company, after three years of heavy losses.

The upward trend was confirmed last week when IBM reported net profits of $689m, or $1.18 a share, for the third quarter – well above expectations. Revenues increased to $15.4bn, up 8.6 per cent from the same period last year, after adjustments for the sale of a business unit and accounting changes. For the year to date, expenses are down by $2.8bn following 24,000 job cuts and other cost reductions.

After four consecutive quarters of profit, it appears that IBM has turned a corner. The company's shares are trading at around $74, the highest level in two years, reflecting growing investor confidence.

Yet IBM's new-found strength could be short-lived. Some important segments of IBM's business are still operating at a loss and the company's improved financial performance is at least in part the result of good luck, rather than good management or foresight.

The paradox for IBM is that the restoration of its revenues and profits over the last three quarters has been on the back of unexpectedly strong demand for its mainframe computers, its flagship – and most profitable – products.

For years, IBM's business strategy centred on its mainframes as the workhorses of corporate data processing. The company's recent difficulties have come from its failure to respond to mounting competition from networks of personal computers and servers.

Failing to respond to the technology shift was "the single most important mistake that IBM made," Mr Gerstner said earlier this year. He ordered "a massive redeployment of development money" away from mainframes into new products for networked computing.

Mr Gerstner may be tempted to believe that the mainframe resurgence signals another sea-change in computer technology trends. IBM is currently renewing its mainframe marketing efforts and postponing consolidation of mainframe manufacturing operations.

"We have been listening to customers' needs and meeting them," says Linda Sanford, general manager for IBM's System 390 mainframe products. "Customers are adamant that they are not willing to abandon their investments in mainframe software, which total over a trillion dollars worldwide," she says.

The mainframe is also gaining new respect as corporate computer users become less enamoured with "alternative solutions" based on networks. "For reliability and robustness you cannot beat a mainframe," says Jerry York, IBM chief financial officer. "The alternatives are not yet bullet-proof enough."

Yet many industry observers believe that the role of central "host" mainframes will decline as distributed computing takes hold. The temporary comeback of the mainframe may reflect nothing more than the economic recovery in the US and Europe which has created a surge in new orders after three years of depressed spending.

If so, IBM's mainframe "bubble" will not last, leaving the company vulnerable to the problems of some of its other businesses which are critical to future revenue growth.

In the PC sector, for example, IBM is struggling to achieve profitability. "Our PC problem continues," Mr York said last week. "(It) will probably take us until the end of 1995 to see progress that we will feel really good about."

Over the last year, IBM has lost market share in PCs to competitors including Compaq Computer, which has overtaken IBM to become the market leader. Struggling to regain its momentum, IBM has restructured its PC operations, cut jobs and simplified overlapping product lines.

But it seems that IBM keeps bungling opportunities in the PC market. Last month it launched a new line of "Aptiva" consumer desktop multimedia PCs to very positive reviews. But the IBM PC unit underestimated demand and already has orders for all of the Aptiva PCs it can build by the end of the year.

Uncertainties surrounding the future of IBM's PC business are increased by the company's efforts to establish the "PowerPC" microprocessor, the heart of a new generation of PCs, jointly developed with Motorola and Apple Computer. But in the absence of suitable software, the project could take years to bear fruit.

Data storage products represent another weak point for IBM. Revenues declined by a "double digit" percentage in the third quarter against the same period last year, said Mr York. Although sales of disk drives for PCs grew strongly, IBM has been losing ground in the market for high capacity data storage systems.

Mr Gerstner said last week that he was encouraged by IBM's progress in moving new technology "from lab to manufacturing to market much faster". But data storage is an example of IBM's failure to keep pace with competitors in exploiting new technology.

IBM is also playing catch-up in the market for PC software, which is currently dominated by Microsoft. The recent launch of OS/2 Warp, a new PC operating system to rival Microsoft's Windows, could give IBM a boost. But its investments in software development currently outstrip revenues from this important growth sector.

There are some bright spots for IBM. Sales of its AS/400 mid-range computers increased by about 25 per cent in the third quarter, following the launch of models earlier this year. It is also making rapid progress in the sale of semiconductor chips to outside customers, with sales of $2.2bn to date this year, from next to nothing two years ago.

Yet as IBM continues to pare back its spending on research and development – down by 23 per cent in the third quarter to just over $1bn – the company will face a crisis if revenues from older product lines, in particular its mainframe computers, decline more quickly than growth in other sectors.

Financial analysts expect IBM's performance to continue to improve through 1995. Mr Gerstner has also silenced the industry pundits who just two years ago said that the only way to "save" IBM was to break it up into smaller, more agile businesses.

But the longer term outlook is far less certain. Even as he continues to cut costs, the more difficult challenge facing Mr Gerstner is to generate revenue growth on a sustained basis. So far he has not demonstrated how IBM will achieve this goal, although as Mr York puts it, "a huge amount of our energies are focused on that issue".

Joe Rogaly

A diluted Beveridge

The overriding reason why capitalism is regarded with such moral distaste is, "quite simply, the inequality to which it leads, which is widely felt to be unjust and intolerable". The author of that observation is not some raving Leftie. It is not even yours truly. It is Lord Lawson, in a commentary on a recent pamphlet[1]. I remember visiting the former chancellor following some of his Budgets and being struck by his seemingly puzzled response to the simple question: "What do your measures do for the least well-off?" We know the answer: since 1979 successive Conservative governments have engineered a huge redistribution of wealth and income from the poor to the rich.

Much of the familiar evidence to this effect is rehearsed in *Social Justice*, the report[2] of a commission set up by the late Mr John Smith in 1992, after he became leader of the Labour party. The Tories' principal engine for widening inequalities is the tax mechanism. Top rates of personal income tax were cut, most dramatically by Lawson, N., in 1988. Taxes on consumption have more than doubled. In consequence, the net disposable income of the least affluent tenth of the population was squeezed, certainly in relative terms and in many instances absolutely. "Today," says the social justice commission, whose chairman is Sir Gordon Borrie, "the gap between the earnings of the highest-paid and those of the lowest-paid workers is greater than at any time since records were first kept in 1886."

So we can take it, can we not, that the advice given by Sir Gordon and his colleagues is that the evil work of the 1980s must be undone the minute a Labour government takes office? Presumably the scaffold beckons, or the tumbrils; surely at the very least the dungeons? Well, actually, no. The suggestion is that there be a "maximum tax bill", which would limit the proportion of any individual's total income which could be paid in income tax and national insurance contributions combined to 50 per cent. Half. The multiest of millionaires can keep the other half. Whew! Admit it. You, I, Nigel Lawson and King Midas would settle for that. In case Labour's putative chancellor misses it, the page, Mr Gordon Brown, is 390.

There are many such nuggets in this thought-provoking report, some of them similarly flavoured. A minimum wage? Yes, but, er, not too much. Say £3.50 an hour. Workfare? No – but, instead, what are called in the United States "welfare to work" schemes. "Of course, someone who unreasonably turns down a job or training offer cannot expect to continue claiming full benefit," says the commission. Means-tested benefits? No, never – well, yes, for the affluent. Top-rate taxpayers might be taxed on child benefit (within the 50 per cent ceiling?), while pensioners of ample means would be ineligible for the proposed new higher-rate top-up state pensions.

Beveridge saw social insurance as a safety net of manageable proportions; we know it to be a money-guzzling leviathan

In short *Social Justice* is the very model of a modern moderniser's manual. It might help the new Labour leader to capture his party. It castigates the unregulated free market, yet declines to return to the socialist nonsense of earlier years. It implicitly regrets the errors of the 1970s, when Labour was last in charge, yet says of the 1980s that "the neo-liberals' medicine has proved worse than the disease". We'll leave that debatable judgment to the historians. The question is, what about the present decade, and the one to follow?

It would be nice to say that Sir Gordon and his happy band have provided us with a satisfactory answer. Alas, they haven't. They have set out the pieces of a puzzle that some of us have been reading about and sometimes even writing about for years. The welfare state that evolved from Sir William Beveridge's report of November 1942 is certainly in need of revision. Beveridge could assume full employment; we can at best aspire to it. He took it for granted that wives would return to stove and hearth after the war; we are blessed with 1990s womanhood. He saw social insurance as a safety net of manageable proportions; we know it to be an unstoppable, money-guzzling leviathan. Then Britain was the mother of an empire; now it is the unruly stepchild of the European Union.

Sir Gordon's commission calls enticingly for a readjustment, a renewal of British economic and social policy. To that end, it provides a bran-tub full of ideas, many of them Clintonesque, from which Labour may draw. These beads are drawn together on a string labelled "investors' Britain", a concept combining "the ethics of community with the dynamics of a market economy". This turns out to mean goodies like universal nursery schooling, a "learning bank" to ensure the availability of education and training during breaks in employment; an "intelligent welfare state" whose purpose is to encourage people off the dole and into jobs, fair taxation, and a great many other improvements to life, the universe and everything.

Such promised delights are not to be sneezed at, but can we believe that Labour could deliver them, even in the 15 years allowed for? "We are not . . . a commission of economists," say Sir Gordon & Co, and thank heavens for that. It would help, though, if they confessed to just a little numeracy. The Beveridge report is filled with sums. They all turned out wrong in the end, but precise columns giving totals in and totals out do add verisimilitude to even the most alluring social blueprints. To say this is not the same as supporting the inevitable Conservative sneer about what taxes go up or what service is cut to pay for this or that. It is just that the days when you could plausibly offer broad sweeps of history without the backing of narrow calculations are long gone.

Labour will doubtless address such quibbles in its election manifesto, a document that may be influenced by but is not likely to be congruent with the social justice report. The party knows that it must support free trade, low, albeit "fair" personal taxation, minimal inflation, and the market economy. What we will get is an undertaking by sensible politicians of moderate persuasion to iron out the rough edges of capitalism, to make it less red in tooth and claw. Perhaps that will ease Lord Lawson's mind.

[1] *A Moral Basis for Liberty, IEA, 2 Lord North Street SW1P 3LB.* [2] *IPPR/Vintage paperback, 418 pages, £6.99*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Choice for domestic gas consumers essential

From Mr Stephen Locke.

Sir, Michael Heseltine is right (Survey of the UK Gas Market: "Support for liberalisation gathers pace", October 20). As the president of the board of trade points out, it is indeed high time that the 18m domestic consumers currently served by British Gas were offered a choice of supplier.

Recent debate on the effects of competition has focused on potential moves towards differential pricing – both from region to region and between the high and low-volume gas users.

The links which are being made between the introduction of competition and tariff rebalancing are, however, misplaced. It is true that re-balancing may well take place in the near future. But adjustments would inevitably happen anyway, regardless of competition.

Under the Gas Act 1986, the regulator, Claire Spottiswoode, must ensure that British Gas does not discriminate in its pricing and, indeed, a review of tariffs to ensure that they more closely reflect true costs is sorely needed.

What is clear is that, without competition, consumers faced with higher prices would have no choice but to pay them.

With competition, they could up sticks and buy elsewhere.

There must, of course, be vigorous public scrutiny of proposals to adjust tariffs, to reassure domestic consumers that British Gas is not trying to load the dice as competition looms.

Some proposed adjustments may need to be challenged; British Gas may, for instance, have to be pressurised to reduce any inefficiencies rather than pass costs to consumers.

As the Gas Consumers Council illustrated, in its evidence to the House of Commons trade and industry committee on October 19, there is an overwhelming consumer argument in favour of dismantling British Gas's monopoly.

As long as basic ground rules for competition, particularly on obligation to supply, are established and guaranteed, and costs to market entrants are set fairly, there is no reason why domestic consumers should not enjoy the significant benefits promised by competition.

With the Queen's speech in the offing, the initiative lies with the government.

It must use its legislative clout to promote its competitive convictions. Gas competition is long overdue.

Stephen Locke,
director of policy,
Consumers' Association,
2 Marylebone Road,
London,
NW1 4DF

Improve state aids controls

From C M Purvis.

Sir, Your leading article on state aids in Europe ("Controlling state aids", October 19) rightly highlights the distortion they cause to competition and the threat they pose to the single market.

In no case is the danger of inadequate regulation of state aids greater than in sectors which already have excess capacity, and where growth in demand is inadequate to restore equilibrium between demand and capacity. That is why the European synthetic fibres industry has consistently supported the European Union guidelines which prohibit subsidies for creation of new capacity in our sector. Such guidelines may, as you point out, lead to inconsistency between sectors. However, the way to deal with such inconsistency must be to improve the standards of monitoring and control of state aids to the best possible level – not to reduce the level of safeguards, where they exist in a relatively effective form, to a low common denominator.

C M Purvis,
director general,
International Rayon and Synthetic Fibres Committee,
Avenue E Van Nieuwenhuyse 4,
Brussels

Hefty tax increases on the way

From Mr Andrew Smith.

Sir, When is a tax increase not a tax increase? Many financial commentators – yourselves included – give the impression that the forthcoming Budget will be neutral. "Mr Clarke has already ruled out significant tax cuts for this year, while the good performance of the economy this year rules out any further tax increases" (Editorial, "Mr Clarke's Budget task", October 21).

It is not surprising that the chancellor has ruled out tax cuts, given that he plans exactly the opposite – a further £6.5bn increase, announced in the last Budget. (The main measures are, of course, the imposition of VAT on fuel at the full rate, sharp rises in excise duties and further restriction of Miras and the married couple's allowance relief.)

While the chancellor's desire to gloss over the fact that personal taxes will rise sharply again in 1995-96 is understandable, it is less clear why commentators should wish to do the same. When Mr Clarke confirms the rise, will the Financial Times report that the Budget contained no tax increases?

Andrew Smith,
chief economist,
Credit Lyonnais Laing,
London EC2A 2DA

Not a blanket ban on banks' double charges

From Mr John F Mogg.

Sir, While I much appreciated your support for our cross-border credit transfers initiative, a misunderstanding has crept into your editorial ("Paying the price", October 20).

You claim that "there may be cases where customers are happy to split charges" and suggest our proposed directive is "too prescriptive" by banning double-charging altogether.

Our proposal is that double-charging is banned only in those specific cases where the customer has instructed the banks not to levy a charge on the receiver.

Customers would remain entirely free to split the charges if they wished.

John F Mogg,
director general,
internal market and financial services,
European Commission,
Brussels,
Belgium

CSO concerned with facts only

From Mr Martin Brand.

Sir, Mr Boam (Letters, October 21) suggests that the Central Statistical Office is too gloomy about consultants' overseas earnings.

The CSO is concerned with facts, not feelings or beliefs. We go out to nearly 4,000 consultancy firms to establish those facts and we have no reason to doubt the accuracy of our survey.

We could only speculate at present on why Mr Boam's figures might be different, but we would be glad to look at whatever information he is able to provide on the basis of his survey.

Martin Brand,
Central Statistical Office,
Government Buildings,
Cardiff Road,
Newport,
Gwent NP9 1XG

Bad name

From Chris Cossey.

Sir, I have read with interest all your articles on re-engineering and was struck particularly by Christopher Lorenz's observation ("Putting re-engineering in perspective", October 21) that re-engineering may be "getting a bad name".

I wonder, rather, whether it is a bad name?

Chris Cossey,
London SE11 4LD

IMF code of economic conduct required

From Mr Walter Grey.

Sir, Despite a tendency, outside as well as within the European exchange rate mechanism, for exchange rate fluctuations to lessen in recent years, Peter Norman (Economics Notebook: "Problems with exchange rates", October 17) noted a strong desire for greater exchange rate stability at the recent IMF annual meeting – which, since few positively desire the reverse, is hardly surprising.

However, such stability, which requires two or more countries to move in step with each other, has to grow from the grassroots up and cannot be imposed from above. So the IMF would be best employed using its unrivalled experience, as well as all available publicity resources, in helping to frame and to monitor an agreed international code of economic (fiscal as well as monetary) conduct. Observance of this would be a passport to sound economic management, and hence stable exchange rates, across the globe.

Given this accent on the maintenance of economic law and order at national and later regional level, the rest, including the hitherto elusive goal of currency stability, will follow almost automatically. Meanwhile, the IMF, though arguably the best world central bank we have yet had with the possible exception of the Bank of England in its heyday, still has some way to go before it grows fully into that role.

Walter Grey,
Finchley,
London N3 3AN

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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday October 25 1994

Canada's debt dilemma

Last week's publication of the Canadian government's document outlining a new framework for economic policy was accompanied by much plain talking from finance minister Mr Paul Martin. "We are," he declared, "in hock up to our eyeballs." Current policy, he added, was unsustainable; and further spending cuts or tax increases would be needed to put it back on course.

The good news for Mr Martin was that the bond markets did not take fright at his diagnosis. But nor were they cheered by his protestations of fiscal austerity to come. Despite the modest improvement in market sentiment since the narrow victory for the separatist Parti Québecois in the recent Quebec election, the yield on 10-year government bonds remains at over 9 per cent. Even assuming an increase in Canada's inflation rate to 2 per cent – the midpoint of the official inflation target – the real yield would still be a phenomenal 7 per cent. That is more than 2¼ percentage points above the real yield on US Treasury bonds.

Unflattering though the comparison may be, it does not point to market fears of a direct Canadian default. Real yields on US dollar-denominated Canadian government bonds are closer to those on US government debt than Canadian. Nor is inflation set to take off in the short to medium term. The question is how far other factors can justify such a differential.

Capital importer

Part of the gap is attributable to Canada's role as a capital importer. Despite running a consistent trade surplus, the country has had a current account deficit in all but three of the past 20 years, largely because of interest payments on a huge stock of external debt. Much of that foreign debt, amounting to 44 per cent of GDP, has been used to finance current consumption. The result is that the current account deficit this year will be equivalent to 2¼ per cent of GDP at a point where Canada's chief trading partner, the US, is close to the peak of the economic cycle.

Nor has the political worry entirely gone away, despite evidence in recent polls that there is no great appetite in Quebec for separation. Yet by far the most important factor in the bond market is the risk premium relating to a spiralling debt stock which stands at 100 per cent of GDP. Canada is in the vicious circle where deficits lead to higher interest rates, which in turn create further budgetary problems. Such is the compounding effect of interest on the outstanding debt that despite federal spending now being lower today as a proportion of GDP than in the mid-1970s, fiscal deficits have become endemic.

Faster growth

With growth of 4½ per cent the federal government calculates that it will need to run a primary budget surplus (which excludes interest) of more than 2.6 per cent before its debt to GDP ratio can begin to stabilise. Yet the primary surplus this year will fall well short of that level; and the federal government has always had difficulty in restraining provincial government spending. While faster growth has offset the impact of the rise in interest rates this year, the increase will become more damaging over time as existing long-term debt matures.

There are two obvious policy responses. The least desirable is to monetise the debt by borrowing from the banking system, a form of internal default by inflation which will lead to overvaluation of the real exchange rate and subsequent devaluation. That is what the bond markets fear. While superficially attractive, it is no real solution because it increases the cost of servicing the mountain of foreign denominated debt.

The alternative, which the Liberal government rightly prefers, is fiscal adjustment. But while the government talks of root and branch social security reform and proposes to reduce the deficit from 5.4 per cent last year to 3 per cent by 1996-97, the markets are suspending judgment until they see real action. Mr Martin claims that the government can deliver predominantly through spending cuts. That hope looks pious in the light of many previous failed attempts to cut the deficit. Without significant tax increases, Mr Martin's next budget is unlikely to receive the endorsement that will pave the way for lower real interest rates.

Labour's new social justice

A plan for modernising the welfare state, or a plan for modernising the Labour party's vision of the welfare state? The Commission on Social Justice may have thought it could deliver both of these things. But the missions are distinct. The commission's final report has strengths on both counts, but ultimately delivers only on the second.

Two years of preparation may have raised expectations unrealistically high, but they have not been in vain. At a minimum, the 400-page document published yesterday is a valuable compendium of suggestions for improving the functioning of the country's outdated system of tax and benefits.

There is little in the report that is fundamentally surprising. It is well-known that social and economic change over the past 50 years has far outpaced reform of the structure of the country's welfare state, with lamentable consequences. Employment, for example, is now less likely to be full time or long term, and more likely to be female than it was in 1945. Yet the current benefit system does not take this sufficiently into account.

The commission's report contains a variety of sensible proposals – both short term and long term – for reforms which would improve things. Some could be adopted by the current government without much difficulty, and are even similar in outline to government pilot projects now under way. Many of the detailed training proposals in the report, for example, fall under this head.

Starting points

Unsurprisingly, many more of the commission's solutions require a political and financial commitment which the current government, at least, would not be likely to contemplate. Yet in suggesting ways of regularising the treatment of the self-employed or the creation of a new part-time unemployment benefit, the report is helpful. It provides sensible starting points towards answering questions which any administration must pose, in light of recent labour market trends.

The question which the report resolutely refuses to answer is how much it will all cost. Viewed as a Labour manifesto-in-waiting, it is perhaps inevitable that the report shies away from explicit expenditure commitments which could be used as ammunition in the lead-up to the next election.

Welfare state

Yet the commission has long claimed a somewhat higher, less partisan, mission: a fundamental re-formulation of both the purpose and structure of the welfare state. Judged in that light, the failure to cost any of its proposals is a serious failing. Vision is one thing, but informing a truly cross-party debate on future reforms must involve putting a price tag on the wish-list.

In the past, public debate on the subject has tended to travel along two separate paths: the desire for a better welfare system, on the one hand, and the difficulties of paying for them, on the other. The commission might have distinguished itself by bridging that divide. By and large, it chose not to.

The Labour party has been the beneficiary of this caution. By implicitly accepting a narrower, more partisan, role for itself, the commission has provided Mr Tony Blair with something few Labour leaders have had in the past: that is, a well-considered volume of ideas for left-leaning social and economic policies which spells out the interconnections between the two.

It remains to be seen whether this will be enough. On the question of pensions, for example, the commission has provided the Labour party with a way to means-test the support given the elderly, in all but name. As with the taxation of child benefits for higher-rate taxpayers, the "principle" of universal benefits has been retained, in such a way as to mitigate their biggest financial shortcomings. What has been missed is the opportunity for a more radical rethink of the benefits and taxes which a modern Labour party might embrace.

These and other examples of political fudge cloud the more visionary elements of the report, such as the proposals for community development trusts and for a Clinton-style "Citizen's Service" for young people. The Labour party will doubtless embrace both the vision, and the fudge. The country will have to look elsewhere for the cost.

A weak domestic market is forcing Japanese banks to increase their overseas lending, writes **Gerard Baker**

The appeal of foreign climes

From the boardrooms of New York to the shop-floors of Kuala Lumpur, a forgotten sound is rippling around the world. It is the murmur of Japanese bankers striking deals with foreign clients.

Four years ago, the Japanese global lending explosion disintegrated amid recession, bad debts and regulatory restraint. But Tokyo's banks are now returning to the world's markets – awakening the fears of European and American bankers, who remember the bruising experience of being undercut by the Japanese on lending rates.

"After several years of declining lending overseas, we are at last starting to see signs of a sustained increase in most markets," said Sanwa Bank's Mr Masateru Nakamura, deputy general manager of the international division.

In Asia, foreign lending by the main Japanese commercial banks has jumped by 12 per cent, or Y1,000bn, in the past year, with all the banks opening new offices in Thailand, China, Malaysia and even Vietnam. In the past six months, the banks have seen the first increase for four years in lending volumes in America. Only European markets remain subdued, but even there most banks expect an increase in the next year.

However, the motivation for this lending recovery is different from a decade ago. In the 1980s, Japanese banks, bloated by the country's huge current account and savings surpluses, became the world's leading lenders. Now, feeling the pinch at home, these same banks have been forced to look offshore for business to maintain growth in their balance sheets.

Domestic lending by Japan's 11 leading city banks has fallen by Y3,000bn, or more than 1 per cent, in the last year, the first drop in decades, as corporations continue to adjust to the over-accumulation of capital in the 1980s, and banks remain wary of repeating the mistakes that led to their bad debt problems. In the longer term, the domestic outlook is even worse, with companies turning away from bank lending to bond issuance as a source of finance.

"The domestic market is so weak, we made a decision earlier this year to step up foreign lending to fill the gap," said Mr Tomoyuki Shoji, of Sakura's International Planning Division. "This is not a temporary shift," adds Mr Kazuaki Kitabatake at Fuji Bank's international division. "We are seeing a long-term structural change in our operations towards more foreign lending."

This view is causing alarm among foreign bankers. The last surge in Japanese lending overseas brought claims of unfair competition. European and US bankers argued Japanese banks could offer cheap loans because of the low cost of funds in Japan, held down by a system of regulated deposit interest rates.

Even more troubling was the apparently easy availability of capital which enabled banks to expand their lending. Under Japanese rules, unrealised gains on equity holdings could be counted as capital, a benefit that mushroomed in significance as the Japanese stock market took off in the late 1980s.

In 1988 the Bank for International Settlements (BIS) attempted to rein in the Japanese by imposing stricter rules on the treatment of equities as capital. Recession at home and a mountain of bad debts around the world also forced Japan's banks to cut their lending overseas, which peaked in 1991. New lending has been stagnant until this year.

Eager to defuse concerns over their return to the international market, the banks say there are important differences today. The new capital adequacy rules require them to have much higher capital ratios than before – so increases in lending will require larger increases in capital than previously.

This month, the final remaining regulations capping interest rates were removed by the Ministry of Finance, limiting the availability of cheap funds. And the bad debt crisis of the past four years has radically altered the creditworthiness of Japanese banks – increasing the cost of raising funds.

But the pressure on banks to expand their overseas business in the absence of lending growth at home will put pressure on them to keep margins thin. More important, the apparent disappearance of some of the favourable conditions for Japanese banks is largely illusory.

Capital adequacy ratio requirements may be tougher, but the ease with which banks managed to replenish their capital in the early 1990s, despite falling stock markets, mean that ratios are now well above minimum BIS levels, even if they are below those of US and European banks. The average ratio of capital – including share capital, convertible debt and discounted equity holdings – to assets, for the six largest Japanese banks is more than 9.5 per cent – comfortably above the minimum 8 per cent BIS guidelines and leaving plenty of room for expansion. Those ratios have also been helped by the strong yen, which has cut the value of overseas loans, while leaving the value of capital (in yen) unchanged.

Though interest rates have been deregulated, relatively relaxed monetary conditions mean they remain much lower than in other countries. The average deposit rate in Japan is about 3 per cent, against 5-6 per cent in Europe and the US. Japanese banks hold a higher share of their liabilities in the form of short-term demand deposits – which carry low interest rates – than their US and European counterparts.

Furthermore, Japanese banks have traditionally accepted a smaller return on assets than US and European banks. Average net interest as a proportion of total income at the leading Japanese banks is just over 1 per cent, against 2.5 per cent in the UK and 2.9 per cent in the US. According to Mr David Marshall at the bank credit rating agency, IBCA, this is largely due to the way the banks were set up by government fiat after the second world war. They were meant to channel funding at the cheapest rate from savers to industry, to finance Japan's industrial reconstruction. Shareholders' interests were not paramount, and the spreads the banks were prepared to take were much lower.

For these reasons, the scope for cheap lending remains. According to Ms Alicia Ogawa, analyst at Salomon Brothers in Tokyo: "Japanese banks continue to have a significant competitive advantage over their foreign rivals. It's just that nobody has noticed it for the past few years because they've been cutting back."

Now they are returning, the Japanese banks are pressing their advantage by paring lending rates.

US and European bankers argue that loans to "investment grade" companies must have margins of at least 0.8 per cent over their cost of funds to cover costs and make a return on capital. But Sanwa officials say that they are prepared to see margins as low as 0.5-0.75 per cent. According to Sakura's Mr Shoji, the bank will go "no lower" than 0.25 per cent. Most other Japanese banks are within this range.

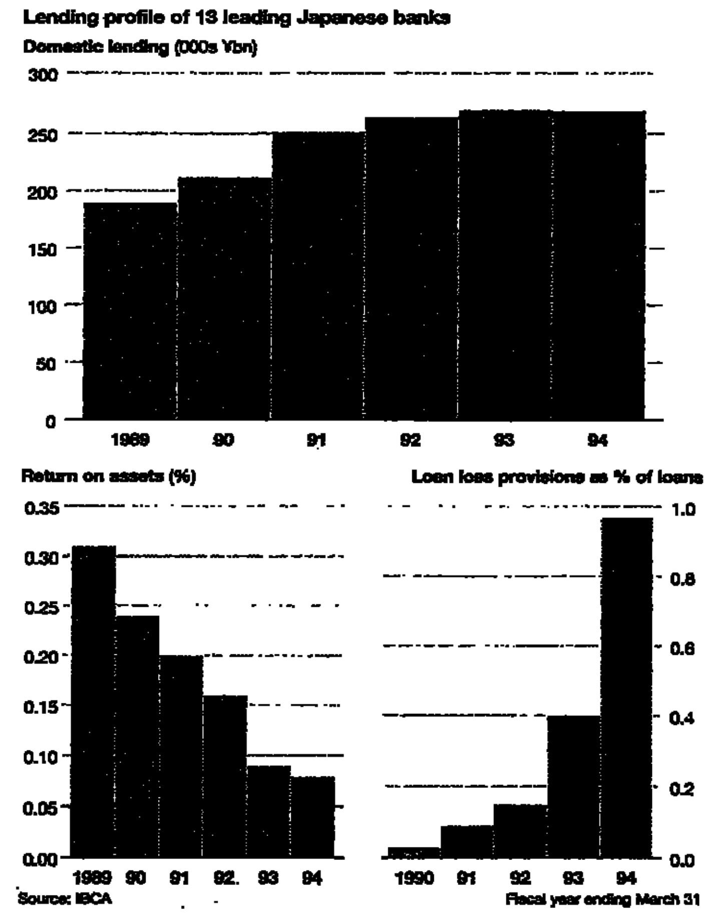
The Japanese respond to criticism that these margins are suicidally unprofitable by saying they are simply responding to competitive pressures in a market where demand for capital is still relatively weak. The Industrial Bank of Japan's senior international manager Mr Yasuharu Yoneda, says: "*Other banks are cutting their margins, so we have to be prepared to go lower.*"

If, as seems probable, the Japanese banks start to recover their market share in overseas lending, US and European banks may yet persuade the regulators to take a closer look at one aspect of their business – their treatment of bad debts. Under Japanese rules, banks have to declare as non-performing only those loans to bankrupt companies or those on which no interest has been paid for six months or more. Typically, US and European bank regulators have stricter criteria, usually requiring banks to declare loans on which interest has been cut sharply.

Since non-performing loans are offset against capital, this enables the Japanese to increase their lending much more sharply than other banks. Mr Marshall estimates that under US rules, the capital adequacy ratios of many Japanese banks would be below BIS minima, prompting an even more serious retrenchment than four years ago.

Seven years ago, there was pressure on the Japanese to adjust to the rules of that market-place. In the end, they were forced by other factors to pull in their horns. As they return to the fray, they can expect more hostility from their international competitors this time.

Japan's banks: a return to the fray



High bond yields: too good to be true

PERSONAL VIEW

Hindsight gives commentators answers to yesterday's conundrums, but it has been remarkably silent as to why bond markets have fallen this year. Do the resulting high real yields foretell inflation? Do they reflect a shortage of capital? Or have the activities of hedge funds created a technical distortion?

A dip into the history books suggests that the markets demand a premium to lend to countries which they feel might default. Such a premium has not been widely required since the 1920s and 1930s.

If it is needed today, it is because western governments are running deficits that have built up unprecedentedly high absolute levels of debt. These levels continue to rise in most countries.

The capital flows which will fund such debt levels are now international, seeking out the best return. Countries with unattractive credit credentials find it hard to attract money; they can no longer rely on the inertia of local investors who know no better, or who have been bribed by fiscal incentives.

The real yields now on offer may, though, prove completely unsustainable to service. Yet even at current levels, they are still not high enough to protect investors from the adverse currency movements that can occur. Investing in some of these countries is unattractive on any yield basis.

Japanese investors have been learning that for the last decade and are, late in the day, voting with their feet and refusing to buy those countries' bonds.

It is instructive to see from the precedent of the 1920s how dangerous a situation is thus created.

Then it was the dollar surplus that dominated the capital flows and, uniquely, the dollar's freedom of movement around the world at that time compares with today's. Any US investor who had obligingly lent other nations' governments his dollars in 1918 had by 1930 lost all his money in six leading currencies, including the D-Mark. He had also lost 86 per cent of his currency investment in France, 93 per cent in Portugal, 70 per cent in Italy and 50 per cent in Spain.

The exchange rate had held its own only in the Nordic currencies, sterling, the Swiss franc, the Dutch guilder and – incredibly in the light of postwar experience – the Argentine peso.

So it is hardly surprising that, by the early 1930s, real yields on bonds were as high as they are today.

As recently as 1976 in the UK, the IMF halted the spending programme of a Labour government

The ingredients in today's high bond yields are slightly different – but only slightly. Deflationary pressures have not led to falling retail prices as they did then, thus guaranteeing high real yields whatever the nominal rate.

Against this, two factors are worse today. The first is the absolute burden of debt. The other is that nominal yields are much higher. In the worst of the 1930s, UK government stocks never yielded more than 6.1 per cent. If inflation were to disappear today, the cost of servicing bonds at present rates could destroy even sound finances.

One consequence of the 1920s was that governments stopped spending. John Maynard Keynes, the economist, famously pointed out that, when citizens are frightened to spend and corporations cannot spend, governments have a duty to spend. Today we gaze in wonder at the naivety of the governments of the time in struggling to balance their books in the teeth of deflation. Seen in context, though, it was arguably the only thing to do.

The 1920s taught a harsh lesson: take the single example of Portugal in 1919 and 1920. Its government ran a deficit of about 15 per cent of gross national product in each of those years. The money supply went from Es273m to Es611m, and the exchange rate against the pound from 7 to 36.6. This was not inflation – exactly the opposite. In real terms, less money was circulating, as is always the case when a currency collapses. This can easily be seen in Russia today.

When markets go on strike, government spending stops. As recently as 1976 in the UK, the International Monetary Fund halted the spending programme of a socialist Labour government. Between the wars, it took the destruction of most of the world's currencies to persuade governments to stop spending.

The moral is deeply deflationary. The bond markets will be as wonderful as they were in the 15 years from 1920 for countries whose currency survives. For others, however, the promise to deliver on real yields that have recently been as high as 9 per cent (the going rate in Sweden, Canada, Italy and Australia) for decades to come will be like the cheque for £2m given by a drunken reveller to the carol singers: too good to be true.

Jonathan Ruffer

The author is chief executive of Ruffer Investment Management

OBSERVER

Unlocking the Key

■ Why did Derek Keys resign as South Africa's finance minister after such a short time? His departure was botched and damaged investor confidence in South Africa at a particularly sensitive time.

Keys says he stood down for "personal reasons", but beyond that the question has never been adequately answered. There was speculation that he did it partly because he wanted to spend more time with a wife who did not like politics. Any suggestion that he quit because he was fed up with South Africa's new political regime has been stoutly denied.

Hence the news that Keys is to move to London as executive chairman of Billiton, a subsidiary of the South African mining house he used to chair, only adds to the mystery over the real reasons for his departure. The sight of a respected former finance minister going back to work for one of his former employees and basing himself mainly overseas is not the most reassuring message for foreign investors in the new South Africa.

Perfect fit

■ Who is Colin Emson, the man mentioned in yesterday's FT who helped think up ingenious ways for Big Business to fund the Conservative party without having to declare political donations in their accounts?

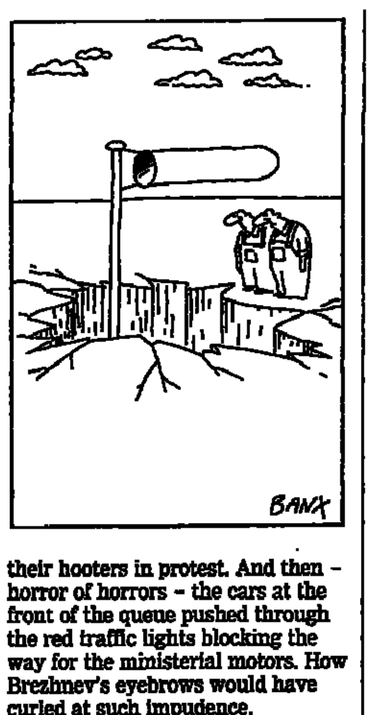
Old stagers in the City who can remember the good old days when the marginal rate of tax was 98 per cent and the Labour party wanted to squeeze the rich till the "pips squeaked", also fondly remember the firm of Emson & Dudley, apparently named after King Henry VIII's tax collectors. Emson used to compete with the likes of Godfrey Bradman and Roy Tucker to think up clever schemes to minimise the tax bills of the rich and famous. Nice to see that Emson's expertise was put to good use.

Seeing red

■ Fresh signs of unrest in Russia where the current regime has maintained many of the perks and privileges of former Kremlin leaders – much to the irritation of Moscow's long-suffering residents.

In Soviet times, a special lane was reserved in the centre of major roads enabling Politburo members to speed to and from their dachas; even now underpasses are cordoned off when a ministerial cavalcade passes through.

However, there are heart-warming signs that the public is tiring of such practices. Drivers on Kutuzovsky Prospect yesterday grew increasingly frustrated at yet another ministerially-inspired traffic jam and started honking their hooters in protest. And then – horror of horrors – the cars at the front of the queue pushed through the red traffic lights blocking the way for the ministerial motors. How Brezhnev's eyebrows would have curled at such impudence.



White mouse

■ Calling all Internet freaks. Latest addition to the Internet is an interactive tour of the White House. Click on a computerised version of the Clintons' cat Socks and hear a meow. Click on President Clinton and he says: "This is the very first on-line tour of the White House."

Vice president Al Gore plays a starring role. Users can click to see the vice president's favourite political cartoons or read about his *accomplishments. Another click of* the mouse and the computer announces that Gore is "a leader on science, space and technology". A veritable Pied Piper, indeed.

Betting man

■ The political survival of UK minister Neil Hamilton was not exactly the safest bet yesterday. How appropriate then that he was scheduled to speak at a conference in London on the boundary between insurable and uninsurable risks. The topic? "Threats and opportunities". Hamilton obviously saw more threats than opportunities. He cancelled.

Snap

■ Be sure to keep your eyes peeled next time you visit the Lord Mayor of London's residence. When property tycoon Lord (Harold) Samuel died in 1987, his widow offered the City of London his remarkable collection of Dutch 17th century masters, some 80 plus paintings which now hang together in the Mansion House. During the two-year refurbishment of the Lord Mayor's residence, however, they were returned to Lady Samuel, who became so attached to four of them that she became disinclined to return them on its completion.

Which is why sharp-eyed guests of the Lord Mayor will find, in the less well-lit corners of the now *avocado and lime green walls, four* expertly-framed photographs in place of the originals.

Big steel

■ A candidate for pr disaster of the year? The ink had barely dried on British Steel's press release giving "ten key reasons why steel is the car makers' first choice" at last week's motor show, when IBCAM, the Institute of Vehicle Technology, announced that Audi had won an award for its aluminium-bodied luxury car, the Audi A8.

"It just goes to show how completely unbiased the awards are," commented a brittle steel man. Then again he could not confirm whether British Steel would sponsor the award again now that the enemy has walked off with one of the trophies.

Close shave

■ Britain's barristers may not be in danger of losing their wigs, but their opposite numbers in the Emerald Isle may have to dump their ancient head-gear if Willy O'Dea, Ireland's justice minister, gets his way. He is firmly of the opinion that "a race meeting is where you'd expect to see horse hair – not a court of law".

FINANCIAL TIMES
Tuesday October 25 1994

Juppé condemns 'degredation of political climate'

French presidency battle prompts appeal for unity

by David Buchan in Paris

The increasingly aggressive edge to the rivalry between Prime Minister Edouard Balladur and Mr Jacques Chirac for the French presidency yesterday brought another appeal for calm within the ruling RPR Gaullist party.

Mr Alain Juppé, foreign minister and secretary general of the RPR, wrote in yesterday's *Le Monde* newspaper that he was "amazed at the degradation of the political climate" in France.

He urged Mr Balladur and Mr Chirac to come to some understanding about who will run as the main conservative standard-bearer in next May's elections.

But the past week has seen the presidential rivals reject each other's overtures, and resort more to the dagger – and less to the cloak.

A new threshold was crossed yesterday when, in an interview with *Le Figaro*, Mr Balladur complained that Mr Chirac had not spoken out in support of the government's policy of a strong franc during the currency crisis of mid-1993 for fear of offending the RPR, of which Mr Chirac is the president.

"For a long time, Jacques has taken refuge in his party as if it were a citadel. Is this really the spirit of the Fifth Republic?" queried the prime minister.

The two rivals have previously avoided naming each other in their public attacks.

Although Mr Balladur's direct criticism of Mr Chirac concerned an incident more than a year old, it summed up what the Balladur camp sees as Mr Chirac's fatal weakness.

Mr Balladur's followers argue that the RPR president is too partisan to win the Elysée, and that only Mr Balladur has enough cross-party appeal to thwart a possible socialist contender like Mr Jacques Delors. The opinion polls so far support this.

Mr Chirac's supporters hit back yesterday. Mr Jean-Louis Debré, a senior RPR politician, criticised the prime minister for his "useless and irresponsible" words about Mr Chirac.

Mr Debré reminded Mr Balladur that he had once put in writing that a prime minister should concentrate on governing and stay out of campaigning for the Elysée.

The prospect of an increasingly bitter and politically destabilising Gaullist party war is, according to many bank economists in Paris, one factor that has caused foreigners to pull their money out of French stocks and bonds at the rate of FFr100bn (£11.9bn) in each of the first three quarters of this year.

Mr Balladur and Mr Chirac differ more in style than policy, although over the weekend Mr Chirac raised a further question-mark over his commitment to European monetary union when he said the final decision to move to Emu should be put to a referendum, just as the Maastricht treaty had been.

US budget deficit drops to lowest for five years

By George Graham in Washington

The US budget deficit fell by $52bn to $203bn in the fiscal year to the end of September, the lowest level for five years, the White House said yesterday.

Although another drop is expected in the current fiscal year – White House and congressional budget offices estimate a deficit of between $162bn and $167bn – a row has already broken out over how to stop the deficit from climbing again in the following five years.

President Bill Clinton said yesterday that he wanted to keep "managing this thing in a very disciplined way".

He said that for the first time in 20 years the deficit has gone down for two years in a row.

"The bottom line is getting stronger every day," he told a business gathering in Cleveland, Ohio.

However, deficits are projected to start rising in the 1996 fiscal year and to be back above $200bn by 1999, prompting the administration to begin considering budget options for coming years.

This process has now become an issue in the campaign for the congressional elections two weeks away.

In a memorandum obtained by the opposition Republican party and widely distributed to the media, Ms Alice Rivlin, director of the White House Office of Management and Budget, warned that holding the deficit at next year's projected level of $167bn would require $184bn of spending cuts or tax increases over the period 1996-2000.

Eliminating the budget deficit entirely – a goal espoused in theory by most Republican congressional candidates – would require $684bn of spending cuts or revenue increases.

Among the possible approaches outlined in the memo are controversial measures such as cutting the benefits paid under the social security pension scheme, applying a means test to limit payments under the Medicare programme, which provides health insurance for the elderly, or reducing the tax deductibility of mortgage payments.

The inclusion of such policy options in a White House document has proved embarrassing so close to the the congressional elections.

Democrats had been seeking to warn voters that these measures await them if the Republicans win power and carry out their promise to balance the budget in five years.

Ms Rivlin insisted yesterday that her memo "wasn't any kind of decision memo".

"The Clinton administration isn't actively considering any of these things at the moment," she said.

Ex-chief of Brent Walker cleared of fraud charges

By John Mason in London

Mr George Walker, former chairman of UK property and leisure company Brent Walker, was cleared yesterday of orchestrating a £19m ($30.02m) fraud. The a trial, which cost £5m and lasted 4½ months, has called into question Britain's system of criminal prosecutions in fraud cases.

Mr Walker, a professional boxer turned entrepreneur, was cleared of charges of theft, conspiracy and false accounting brought against him by the Serious Fraud Office, which handles all aspects of such investigations.

"The case ruined three years of my life," Mr Walker said afterwards.

The jury gave its verdicts after deliberating for seven days. The result of the case was seen in the financial and legal community as a further blow to the credibility of the Serious Fraud Office, the future of which looks uncertain.

Mr Wilfred Aquilina, a former Brent Walker finance director, was convicted by a 10-1 majority on one charge of false accounting relating to a $4m payment by Brent Walker to an offshore company, but cleared of four other charges of theft involving £9.5m and conspiracy to falsify accounts.

Heavy blow for Serious Fraud Office ....Page 9

Mr Aquilina was released on bail and will be sentenced at Southwark Crown Court in south London on November 10. His lawyers are considering an appeal against his conviction.

Sir Nicholas Lyell, the attorney-general, is considering proposals to place the SFO under the control of the Crown Prosecution Service. Such a move would amount to an implicit admission that the original thinking behind the creation of the office in 1988 was flawed.

The result of Mr Walker's case was not thought in legal circles to be critical to the attorney's decision.

Of the charges brought against him, Mr Walker said: "It was just a story backed up by 'ifs'." He said that a lot of the time in court it was "impossible to know what the SFO was on about".

Mr Walker said he was contemplating rebuilding his business career in the leisure industry. "I do think I have something to give," he said.

Brussels set to scrap steel rescue

Continued from Page 1

withdraw approval of private companies using industry levies to finance closures; and claw back relief offered against cheap imports. However, some Ecu240m ($295m) aid offered to redundant steel workers under the EU's social plan is not expected to be affected.

Also, the Commission intends to monitor each case where it has approved state aid in return for plant closures before judging whether to continue, a Brussels official said. That would apply to current restructuring packages such as the effort to eliminate steel mills in the northern Bresciani region in Italy.

The Commission intends to discuss the steel rescue plan with EU industry ministers on November 8.

British Steel said it was disappointed. "The outcome of the restructuring has provided minimal benefits, and these would have been more if it had been put into effect," it said.

"Subsidies are still supporting capacity, and that nettle has to be grasped."

Meanwhile, Germany's economics ministry and the Treuhand privatisation agency said they would reduce their DM1.2bn ($770m) rescue for Eko Stahl, east Germany's largest steel mill.

Economics ministry officials said the expected level of subsidy would be reduced to DM890m. The move is aimed at winning backing from the Commission for the planned sale of Eko Stahl to Cockerill-Sambre, the Belgian steelmaker.

THE LEX COLUMN

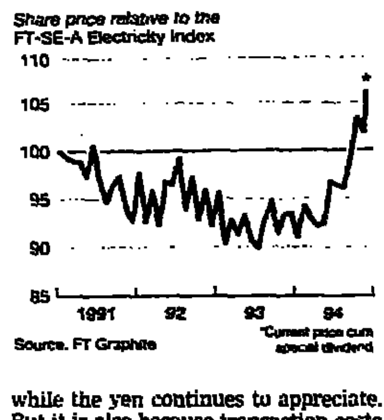
Distribution surge

As a mechanism for returning cash to shareholders, East Midlands Electricity's special dividend will attract maximum political flak. The £186m pay-out is more visible than the share buy-backs espoused by other electricity companies and so more susceptible to attack by Labour politicians. But shareholders will be unworried by political sniping, provided that the mega-dividend is a fairer and more tax-efficient way of returning cash than share buy-backs – as East Midlands claims.

There is little in the fairness argument. It is not true, as some suggest, that everybody benefits from dividends while only institutions which tender their shares gain from buy-backs. Ordinary shareholders benefit too because a share buy-back gears up a company's balance sheet, boosting earnings per share – although the gain is not as obvious as with a mega-dividend. The tax benefit of the special dividend is the more powerful argument. Tax-exempt investors will definitely receive a tax credit. The best that can be said of share-backs is that, in those which used a tender, there may be a tax credit. In those where the company merely bought shares from a market maker, there will certainly be no tax credit.

There is, of course, more to mega-dividends and buy-backs than tax. The underlying aim is to leverage the balance sheet. Given the predictability of the electricity distribution business, gearing of 50 per cent or more would seem appropriate. By that yardstick, East Midlands – with gearing after the dividend of 20 per cent – has much further to go. Once the uncertainty over the flotation of the National Grid is resolved, more special dividends are likely. Other electricity companies will come under pressure to follow suit.

FT-SE Index: 3029.1 (-3.7)



Source. FT Graphite

Tokyo stocks

Standard Chartered's and Canadian Imperial Bank of Commerce's decision to delist from the Tokyo Stock Exchange should come as little surprise. Their announcement yesterday brings the number of foreign groups abandoning the exchange this year to 18. The exodus underlines the Tokyo Stock Exchange's lack of competitiveness. The costs of a Tokyo listing are three to four times higher than those of other international markets. Yet trading volumes in foreign stocks are minuscule. That is partly because Japanese institutions currently have little interest in acquiring overseas assets while the yen continues to appreciate. But it is also because transaction costs in Tokyo are up to eight times higher than in other markets. Japanese investors can trade more cheaply in foreign companies' domestic markets. They can also trade Japanese shares at less expense, which explains why 50 per cent of trading volumes in certain Japanese stocks is sometimes transacted on London's Seaq.

Yesterday's call for further deregulation by the Keidanren, the Japanese business federation, could not be more timely. Its proposals for liberalising brokerage commissions and revising the securities trading tax should be accepted by the ministry of finance. If not, Japan's financial industry risks ending up with as much of its core based overseas as its manufacturing counterpart.

Derivatives

Given the level of concern about the huge growth in derivatives, it is hardly surprising that the Chicago futures exchanges have had a hard job persuading their regulator to relax some of their trading rules. With international financial authorities still feeling their way through the fast-growing jungle, the US Commodity Futures Trading Commission is right to tread carefully.

The requirements from which the Chicago exchanges are asking for partial exemption would not protect users of derivatives from the sort of losses which have hit the headlines over the past few months. Most of these have anyway stemmed from deals conducted on the over-the-counter markets where banks provide customers with tailor-made products. The banks then frequently use the standard products traded on the exchanges to hedge their positions.

The exchanges argue that such institutions do not need some of the regulations originally designed to protect private investors. More to the point, the associated costs put the exchanges at a disadvantage to the lightly regulated OTC markets. Yet the exchanges have failed to show that they are losing significant business to the OTC markets, over which they provide many advantages, or to overseas exchanges. The worry for the regulators is that changes that threaten the integrity of the exchanges could have unforeseen consequences elsewhere. Until the dangers are better understood, it would be advisable for playing fields to be levelled up rather than down.

EVC

This year's bottom line at EVC, the PVC business being floated by Enichem and Imperial Chemical Industries, will not make pretty reading. On a pro-forma basis, losses of Fl 22.6m will be exacerbated by a Fl 477.5m extraordinary charge. But investors should not be dismayed. Profitability, at least in the short term, should be robust as a result of rationalisation and the cyclical upturn. The potential for cost-cutting is large: though EVC is Europe's largest PVC maker, it has a long way to go before it is the most efficient. If the management can reduce costs, particularly in politically charged and unionised Italy, the benefits will fall quickly to earnings.

It is hard to gauge where EVC's earnings will peak in this cycle. That is not just because yesterday's prospectus failed to include earnings at the last peak. The main concern is that additional environmental legislation may curb demand, while the return of East European imports could increase supply. Another concern is that EVC has not spelt out how buying its raw materials from companies which will no longer be its parents could affect its cost base.

Investors also need to take account of the fact that EVC's tax charge will rise rapidly after 1997, as the tax benefit of recent losses comes to an end. All this means that earnings are likely to move ahead strongly in the short term but the long-term prospects are probably dull. For those who buy in the float, the timing of profit taking will prove critical.

FT WEATHER GUIDE

Europe today

North-western Europe is being influenced by a strong low pressure area north of the British Isles.

A frontal zone, associated with the low, will bring rain over western Britain, the North Sea, the Benelux and northern France. There will be thunder in places.

Showers will also linger over western France and western Spain, while thundery showers will break out over the western Balkan states.

Another frontal zone will cause rainy periods in eastern Europe.

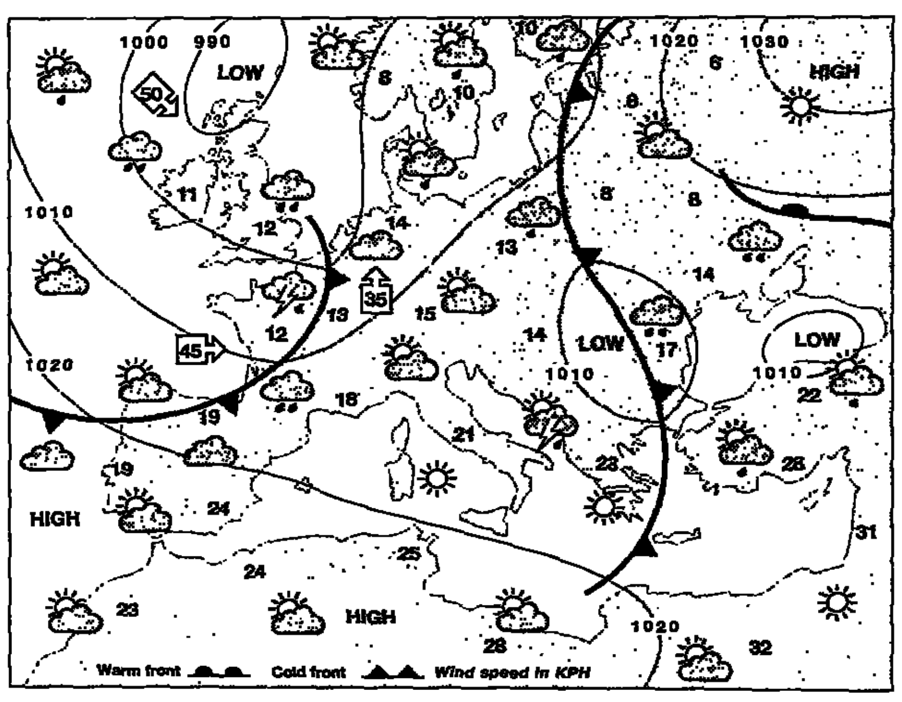
It will be sunny around the Mediterranean, except for parts of Spain, Turkey and northern Africa. Elsewhere in Europe, cloud will be interspersed with sunshine and it will be dry.

Five-day forecast

A low over the North Sea will slowly move north-east, with several disturbances developing ahead of it. As a result, north-western Europe while remain unsettled.

A series of fronts will affect most of the rest of Europe.

South-western Europe will improve until Friday, when heavy rain is expected in Spain, Italy and the western Balkans.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	fair	19	Caracas	shower	31	Faro	fair	22	Madrid	cloudy	17	Rangoon	fair	31
		Celsius	Belfast	shower	11	Cardiff	fair	12	Frankfurt	fair	13	Majorca	fair	22	Reykjavik	sleet	4
Abu Dhabi	fair	33	Belgrade	shower	13	Casablanca	fair	23	Geneva	fair	14	Malta	fair	24	Rio	thund	25
Accra	fair	31	Berlin	fair	12	Chicago	cloudy	10	Gibraltar	fair	22	Manchester	fair	12	Rome	fair	21
Algiers	fair	24	Bermuda	fair	26	Cologne	cloudy	13	Glasgow	shower	11	Manila	shower	31	S. Frsco	fair	19
Amsterdam	shower	12	Bogota	cloudy	22	Dakar	fair	29	Hamburg	fair	12	Melbourne	fair	27	Seoul	sun	18
Athens	cloudy	24	Bombay	fair	34	Dallas	fair	24	Helsinki	cloudy	9	Mexico City	fair	24	Singapore	shower	29
Atlanta	fair	21	Brussels	shower	12	Delhi	sun	32	Hong Kong	fair	26	Miami	sun	29	Stockholm	cloudy	10
B. Aires	fair	18	Budapest	shower	14	Dubai	sun	33	Honolulu	fair	32	Milan	fair	14	Strasbourg	cloudy	15
B.ham	fair	12	C.hagen	fair	10	Dublin	fair	12	Istanbul	shower	21	Montreal	rain	11	Sydney	fair	24
Bangkok	fair	31	Cairo	fair	32	Dubrovnik	shower	19	Jakarta	fair	32	Moscow	cloudy	8	Tangier	fair	21
Barcelona	sun	20	Cape Town	fair	21	Edinburgh	fair	11	Jersey	shower	13	Munich	fair	13	Tel Aviv	fair	33
									Karachi	sun	36	Nairobi	shower	26	Tokyo	fair	20
									Kuwait	fair	32	Naples	sun	21	Toronto	rain	8
									L. Angeles	sun	24	Nassau	fair	29	Vancouver	rain	13
									Las Palmas	fair	26	New York	fair	17	Venice	fair	15
									Lima	cloudy	20	Nice	fair	18	Vienna	fair	14
									Lisbon	shower	20	Nicosia	fair	26	Warsaw	rain	9
									London	shower	19	Oslo	fair	8	Washington	fair	19
									Lux.bourg	shower	11	Paris	rain	13	Wellington	fair	15
									Lyon	fair	16	Perth	fair	22	Winnipeg	fair	4
									Madeira	shower	24	Prague	fair	11	Zurich	shower	13

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Telecom Italia confirms demerger

Telecom Italia, Italy's state-controlled telecommunications operating company, gave the go-ahead for the demerger of its mobile telephone operations next year. Some 60 per cent of the new company, which will be quoted on the Milan stock exchange, will be owned by Stet, Telecom Italia's state-controlled parent company, and the rest by Telecom Italia's minority shareholders.

Caterpillar moves into eastern Europe
Caterpillar, the world's largest construction equipment producer, aims to become the industry's leading player in eastern Europe. Page 19

Samsung hopes for a transformation
Samsung's recent decision to build a large electronics complex in north-east England is the latest move by South Korea's largest conglomerate to transform itself into one of the world's leading multinational corporations. Page 21

Rhône-Poulenc applies for Renault stake
Rhône-Poulenc, the French pharmaceuticals and chemicals group, yesterday said it had applied to become one of a group of stable shareholders in Renault, the vehicles group which is being partially privatised. Page 18

Capital Cities/ABC surges
Capital Cities/ABC, the US entertainment and media group, yesterday reported a 71 per cent increase in third-quarter profits to $133.7m. Page 20

Bolloré disposes of plastics unit
Bolloré Technologies, the diversified French industrial group, is selling a plastics company for FFr1.2bn ($233m) and plans a further FFr2bn in asset sales over the next year to bolster the group's financial position. Page 26

EVC sees flotation value of up to Fl 1.2bn
EVC, Europe's leading manufacturer of polyvinyl chloride (PVC), forecast its forthcoming flotation on the Amsterdam stock exchange would value the group at between Fl 1bn and Fl 1.2bn ($595m-$718m). Page 26

Brewers Investment Trust's withdrawn
Lazard Brothers yesterday withdrew its Brewers Investment Trust, launched late last month to invest mainly in quoted regional brewers. The withdrawal puts paid to a conditional sale to the trust by Whitbread, the brewing and leisure group, which was to have received £27m ($42m) for its remaining shares in the regional companies.

Moss Bros pleases City
Moss Bros Group, the specialist menswear retailer, outstripped City expectations for the second time this year by trebling pre-tax profits in the six months to July. Page 24

Russian acquisition for Bula
Bula Resources (Holdings), the Dublin-based oil exploration and production company, is proceeding with its acquisition of an option to purchase a 51 per cent interest in Aki-Otyr, a Russian oil joint stock company. Page 26

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko	842.5	+	17.5
Hoechst	316	+	3.3
Linde	877	+	17
Schering	969	+	18.5
Falls			
Kali & Salz	156	-	3.5
Mügelsdorf	158.5	-	4.5
NEW YORK ($)			
Rises			
Amco	102¼	+	½
Exxon	62⅝	+	⅛
Falls			
Alcoa	87¾	-	1⅜
Air Freight	19¾	-	6¼
Eastman Kodak	48¾	-	1
IBM	73	-	1

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Banc Comp	506	+	10.3
BIC	624	+	13
Unibail	453	+	23
Falls			
Accor	509	-	21
GTM Entrpse	404	-	16
Gal Lafay	2280	-	93
TOKYO (Yen)			
Rises			
Toshiba	763	+	12
Yamaha Mtr	949	+	19
Falls			
Ando Corp	592	-	16
Daikyo Inc	795	-	47
Kaneka	785	-	24
Niigata Eng	441	-	16

LONDON (Pence)			
Rises			
Amstrad	28½	+	2
Bibby (J)	54	+	3
Eastern Grp	758	+	19
Eurotunnel Uts	221	+	12
Geest	200	+	8
Moss Bros	375	+	37
Proteus Int	218	+	28
Southern Elect	251	+	25
Stratagem	159	+	17
T & S Stores	171	+	8
Tiger Oats	723	+	110
Yorkshire Elect	715	+	29
Falls			
APV	81½	-	5
BICC	333	-	13
Eng China Clays	336	-	14
Meyer Int	369	-	11
Pillar Prop	144½	-	7½
Tottenham Hspr	127	-	8
Wellcome	627	-	24
Wolseley	733	-	19

Chemicals boost profits at Exxon

Amoco and Arco also benefit from cyclical rebound in underlying earnings as sales and margins improve

By Richard Waters in New York

A cyclical rebound in earnings from their chemicals businesses helped Exxon and other big US oil groups to report solid gains in underlying operating profits for the third quarter.

The overall earnings picture was complicated by one-off factors in both the latest and 1993 periods, however. As a result, net income at both Exxon and Amoco fell, while Arco reported a strong rebound in profits.

The US oil majors' latest results come against the backdrop of a rise in oil prices from a year ago. This has lifted upstream exploration and production earnings, despite a fall in natural gas prices. Meanwhile, profit margins in downstream refining and marketing operations were well below the levels hit in the buoyant 1993 quarter, when the groups benefited from a sliding oil price.

The improvements in chemical earnings at the three companies in the three months to the end of September showed that the industry's cyclical recovery remained on track.

Overall, the US petrochemicals industry has experienced volume growth of 7 per cent over the past year, said Mr Paul Raman, a chemicals analyst at S.G. Warburg in New York. European growth in the latest period, at some 3 per cent, continued the recovery which had lifted earnings during the second quarter.

Higher US prices in the petrochemical products in which the energy groups specialise - principally ethylene, polyethylene, polystyrene and polyvinyl chloride - were supported by a fire at an Exxon plant in Texas during the summer. By limiting capacity, this helped to underpin price rises in the industry.

Despite this, Exxon said its chemicals businesses earned $198m in the latest period, up from $46m a year before (which was struck after a one-off tax charge of $26m.) "Chemical product sales were the highest in over two years, and margins also improved," said Mr Lee Raymond, the company's chairman.

Mr Laurance Fuller, chairman and chief executive of Amoco, also pointed to "higher sales volumes and margins for most [chemicals] products."

The Chicago-based company reported earnings in this sector of $154m, compared with $60m in the 1993 period. Analysts expect the bounce in petrochemical earnings to continue in coming quarters. "We're about halfway through the cycle," Mr Raman said.

Exxon reported net income of $1.15bn, down from $1.36bn after $306m of one-off benefits a year ago. Earnings per share were 92 cents, some 10 cents ahead of expectations.

Amoco's net income of $445m after a $32m charge for environmental clean-up compared with $520m a year before, when it benefited from a $70m gain from asset disposals. It earned 89 cents a share, which was also ahead of market forecasts.

Arco's after-tax profits were $435m, up from $68m, while earnings per share were $2.67.

Scott sells Alabama unit to Southern

By Patrick Harverson in New York

Scott Paper yesterday announced the sale of its Alabama energy facility for $350m to the Southern Company, a holding company for utilities based in the southern states, and provided the first specific details of its plan to sell off non-core assets and focus on the paper tissue business. The announcement comes less than two weeks after Scott agreed to sell its S.D. Warren glossy paper unit for $1.6bn to an investment group headed by Sappi, the South African paper company.

The Warren transaction, and the sale of the energy complex in Mobile, Alabama, are the first steps in a divestment programme launched by Scott Paper's new chairman, Mr Al Dunlap. The plan should raise about $3bn before it is completed.

Scott Paper said among the assets considered for sale are the group's US and UK food service business, its global pulp operations, another energy complex in Pennsylvania, about 1.5m acres of timberland, and property, including the corporate headquarters in Philadelphia.

The money from the divestments will be used to reduce its debt, which will stand at $1bn after the Warren deal is concluded but which should be reduced to zero once the restructuring is finished.

Mr Dunlap, the business turnround specialist and former right-hand man to Anglo-French financier Sir James Goldsmith, who came out of retirement in April to run Scott, said "This marks the completion of another key phase of my plans for Scott. The Mobile energy complex is one of a number of assets where we can free up capital to invest in our core business."

The ultimate aim, said Mr Dunlap, was to reposition Scott as a pure consumer products company. The asset sales are part of a wider restructuring instituted earlier this year by Mr Dunlap. In August, four months after joining the group, he announced that 10,500 jobs, or almost a third of Scott Paper's workforce, would be eliminated by the end of the year.

Scott's restructuring has been generally well-received on Wall Street, where the group's share price has risen more than 60 per cent since Mr Dunlap took over as chairman. Yesterday, the stock rose $⅝ to $62⅝ in early trading.

Consortium may make offer for Ilva's flat steels

By Andrew Hill in Milan

Two Italian steel traders have re-ignited interest in the sale of the flat steels activities of Ilva, Italy's state-owned steel manufacturer, with their attempt to assemble an international consortium to acquire the company.

A spokesman for Mr Bruno Bolfo and Mr Vittorio Malacalza said yesterday that their consortium could make an offer for 100 per cent of Ilva Laminati Piani (ILP) in the next few days.

IRI, the Italian state holding company which owns Ilva, is trying to meet a European Commission deadline at the end of this year for the break-up and sale of the company. In June it agreed the sale of Ilva's special steels business, AST, to a German-Italian consortium for L600bn ($392m), but no firm offers have been made for the much larger flat steels operation.

Industry analysts expressed doubt yesterday about the viability of a Bolfo-Malacalza offer, but the a new potential bidder could accelerate the sale process. Lucchini, the private Italian steel manufacturer, is understood to be stepping up discussions with Usinor Sacilor of France about ILP, after Mr Bolfo approached Mr Francis Mer, Usinor's chairman, last week.

Mr Bolfo, who used to work for the export arm of Ilva's predecessor Finsider, and Mr Malacalza claim to have the support of CSN, the Brazilian steel producer, and the US securities house Smith Barney, which they say would put together funding for a minority stake. They are also courting Bethlehem Steel of the US and Dofasco of Canada. Italian press reports suggest an offer could be worth about $900m.

Bethlehem has expressed caution about its involvement with Mr Bolfo, who founded Duferco, an international steel trading company, in 1977. It said: "The privatisation activities have been a subject of discussion with Duferco, but these are part of the regular monitoring of international steel developments."

Lucchini has said it would be prepared to offer industrial backing to ILP. IRI has also received approaches from a consortium organised by the Washington-based merchant bank G William Miller, and including Italian entrepreneurs. IRI has reportedly tried to persuade Mr Emilio Riva, the Italian steel magnate, to add his weight to the Miller bid.

The Italian government has been forced to cut production capacity at Ilva's plants as part of a deal struck with the European Commission last year, in exchange for a final write-off of Ilva's debts. As a result of the write-off, IRI said Ilva stands to return to profit this year, but the Italian authorities are concerned that a buyer of ILP simply closes down the least efficient steel plant and sells off the more attractive parts. Mr Vito Gnutti, Italy's industry minister, has said that strict conditions would be imposed on any buyer of ILP to prevent this happening.

Brussels probes plan, Page 3

Two crashes and fare competition cut passenger traffic

USAir's loss grows to $180m in quarter

By Frank McGurty in New York

USAir, the struggling US carrier partly owned by British Airways, suffered a net loss of $180.1m in the third quarter, as two crashes and increased competition contributed a decline in passenger traffic.

The loss compares with a $177.m deficit in the corresponding three months of 1993. On a per share basis, it works through at $3.32, against $3.33.

The results surprised most Wall Street analysts, who thought USAir would narrow its losses to $2.22 a share.

The reported figure included an unexpected one-time charge of $67.7m, mostly to cover the cost of realigning the airline's west coast route structure.

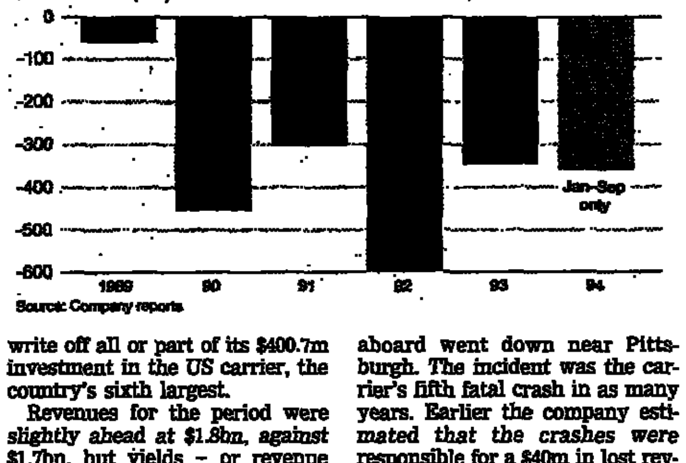
USAir, which is plagued with the highest costs in the industry, is struggling to bring efficiencies to its flight system.

Despite the disappointing performance, the company's share price held fairly steady in early trading on the New York Stock Exchange. By midday, it was down $⅛ to $4⅛.

The stock had fallen sharply at the end of last month, when USAir hinted at its worsening financial position by deferring dividend payments on its preferred shares.

ADRs in British Airways, which holds a 24.7 per cent stake in USAir, were marked down $⅞ to $60⅞ on the announcement. BA has already threatened to write off all or part of its $400.7m investment in the US carrier, the country's sixth largest.

Still grounded



Source: Company reports

Revenues for the period were slightly ahead at $1.8bn, against $1.7bn, but yields - or revenue per passenger mile - slumped nearly 10 per cent from the 1993 quarter to 14.53 cents.

The decline reflected a fresh round of fare-cutting by carriers operating along USAir's east coast routes.

But the airline's most pressing problem is how to overcome the damage to its image caused by two accidents involving USAir airliners during the quarter.

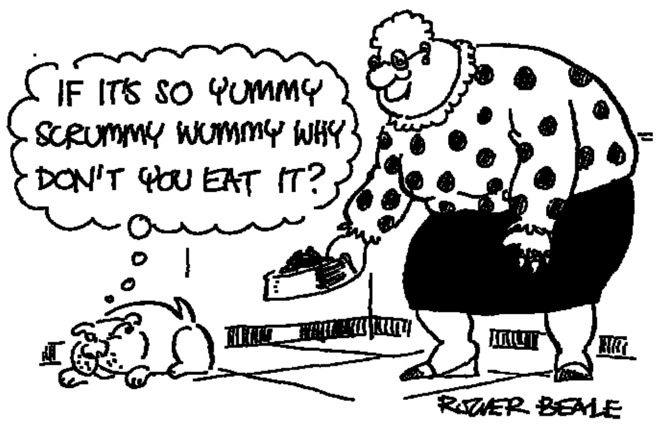
Two months after a crash in North Carolina killed 37 people, a USAir flight with 132 people aboard went down near Pittsburgh. The incident was the carrier's fifth fatal crash in as many years. Earlier the company estimated that the crashes were responsible for a $40m in lost revenues.

"It is really difficult to get a handle on how that has affected the company", said Mr Michael Derchin, an analyst with NatWest Securities in New York. "Their bookings are not coming back as fast as if it were just an isolated accident."

For the first nine months of 1994, the company posted a net loss of $362.9m on revenue of $5.3bn, against a net loss of $276.6m and revenues of $5.3bn a year ago.

David Blackwell reports on the world petfood market

Making a meal of a dog's dinner



Pampered pooches and pussies support large petfood industries on both sides of the Atlantic – but the markets in the US and Europe are as different as cats and dogs. The idea of making and selling food for pets was American, although English dogs can claim the inspiration. Mr James Spratt of Cincinnati, Ohio, created the dog biscuit industry a century ago after watching dogs scavenging for biscuits on an English dock.

Canned dog food quickly followed, and soon fortunes were being made. Fans of PG Wodehouse novels will remember how keen the English aristocracy was to marry its sons to US dog biscuit heiresses.

In the mature US and UK markets, where growth has stagnated, consolidation and rationalisation appear to be the ways forward for petfood manufacturers, but there seems plenty of scope for growth in the rest of Europe. Spain, for example, spent just £200m ($316m) on petfood last year compared with £1.2bn in the UK.

The contrast between the two markets reflects differences in living habits and retail structure. Many more Britons give their pets prepared food bought from supermarkets, while in southern Europe, pets are fed more on kitchen scraps.

The different outlooks for the Anglo-Saxon and continental markets were highlighted by two recent deals. Nestlé, the world's largest foods group, paid $510m to Grand Metropolitan, the UK food and drinks group, for Alpo, its US petfoods business. The purchase took Nestlé to second place in the US, behind market leader Ralston Purina, which has about 19 per cent.

Dalgety, the UK food and agribusiness group, bought two privately owned Spanish petfood companies to expand its continental business.

Nestlé believes its purchase could make it market leader in canned dog food in the US. A recent study by Goldman Sachs, the US investment bank, showed Nestlé had 14 per cent of this market and 4 per cent in the EU; it also has 39 per cent of the US canned cat food market and 10 per cent in the EU.

Figures from the Washington-based Pet Food Institute show that US pet owners spent $4.99bn on dog food and $3.44bn on cat food last year.

Nestlé competes with Mars and Quaker Oats on both sides of the Atlantic. Mars is clear market leader in Europe with a 47.3 per cent share in 1993 grocery store sales, while Nestlé languishes in fourth place.

Dalgety is thought to have paid about £17m for the two Spanish companies – Nido Industrial and Pet-Bon – which have combined assets of £11m. The move takes it into Spain for the first time.

The deal follows Dalgety's £42m acquisition last November of Paragon Petcare from British Petroleum, which gave it access to the French, German, Dutch and Belgian markets. Dalgety now considers itself second to Mars in the European market in volume terms, although just below Quaker by value.

It is difficult to get an overall picture of the market, as it can be divided by country; between cat and dog; "wet" (canned) and dry; and grocery and non-grocery. But Dalgety's best estimates suggest plenty of scope for higher sales in France, Germany, Italy, Spain and Belgium.

In Italy, for example, 82 per cent of the calorific value required to support the 7m cats comes from commercial petfood, with 89 per cent for a dog population of 6m. Italy's prepared petfood market, comprising 102,000 tonnes of cat food and 120,000 tonnes of dog food, was worth only £479,000 last year. In the UK a comparable 7m cats put away 549,000 tonnes, while 6.8m dogs consumed 619,000 tonnes.

While Europe remains a collection of local markets, Mars has started to unify it through the strong brand presence of Pedigree Chum and Whiskas.

Mr Richard Clothier, Dalgety's chief executive, argues that cats in Italy and Scotland should like the same food – unlike the human population.

Rhône-Poulenc seeks Renault stake

By John Ridding in Paris

Rhône-Poulenc, the French pharmaceuticals and chemicals group, yesterday said it had applied to become one of a group of stable shareholders in Renault, the vehicles group which is being partially privatised.

According to Rhône-Poulenc, which was sold off last year, its decision to seek an investment in Renault reflects an agreement to develop new engine emission technologies with the motor group.

Under the terms of the agreement, the two companies will work on ways to reduce emissions from diesel engines. The aim is to equip vehicles with new emission systems by 2000.

As part of Renault's partial privatisation, which will see the state's shareholding reduced to just over 50 per cent from 80 per cent, the government is seeking to form a group of long-term stable shareholders which will hold about 5 per cent of Renault's shares between them.

In addition to Rhône-Poulenc, potential candidates include Elf-Aquitaine, the oil group; Axa, the insurance company; Lagardère group, the communications and defence company; and Banque Nationale de Paris. The decision on the composition of the shareholding group will be taken by the economy ministry in consultation with the privatisation commission, an independent body which advises the government on privatisation issues.

Those companies selected as so-called "partner shareholders" will buy their shares through a private placement and will be required to hold their shares for a specified period of time, expected to be about 18 months.

The formation of a group of stable shareholders is a common element of French privatisations and flotations involving public-sector companies. It has resulted in a series of cross-shareholdings between some of France's largest industrial groups.

Elf Aquitaine and Banque Nationale de Paris, for example, took stakes in each other at the time of their privatisations.

"It is a way of guaranteeing some stability in the shareholding structure following the reduced participation of the state," said one industry observer in Paris. "There is sometimes an industrial logic to the investment, but it is often a case of mutual support between French business groups."

EVC sees flotation value of up to Fl 1.2bn

By Tim Burt and Daniel Green

EVC, Europe's leading manufacturer of polyvinyl chloride (PVC), yesterday forecast its forthcoming flotation on the Amsterdam stock exchange would value the group at between Fl 1bn and Fl 1.2bn ($595m-$718m), although losses this year could reach Fl 500.1m.

The Dutch-based Anglo-Italian joint venture, owned by ICI of the UK and Enichem of Italy, blamed the likely losses on extraordinary items totalling Fl 477.4m – mainly due to a Fl 243.5m write-down on fixed assets and Fl 76.3m of rationalisation costs.

On a pro-forma basis the company said it expected to make operating profits of Fl 88.3m, reversing three successive years of losses.

Mr Peter Hollins, director of EVC's polymers division, said the improvement at the operating level had been driven by increased demand for PVC and cost savings at its manufacturing plants.

While predicting further rationalisation benefits, he warned that increasingly strict environmental regulations could slow growth in demand.

The group's preliminary prospectus, published yesterday, shows that demand for PVC has been flat or falling in the past four years, although it expects it to increase 1.8 per cent this year.

Mr Hollins said there had been a positive response from institutional investors, which will be offered 7.2m of the 9m shares being issued.

The company predicted the offer price would be between Fl 70 and Fl 80 a share. The offer is expected to raise up to Fl 720m, which will be used to reduce group borrowing to Fl 296.2m – equivalent to gearing of 28 per cent.

ICI and Enichem will each retain 19.24 per cent of the newly floated group, and both have undertaken not to sell their stakes before 1996.

EVC, meanwhile, will be locked into supply contracts with its parent companies for more than 80 per cent of its raw materials.

Bolloré to sell plastics operation for FFr1.2bn

By David Buchan in Paris

Bolloré Technologies, the diversified French industrial group, is selling a plastics company for FFr1.2bn ($233m) and plans a further FFr2bn in asset sales over the next year to bolster the group's financial position.

Mr Vincent Bolloré, the group's head, said the sale of Frans-Bonhomme, France's leading supplier of plastic tubes and joints, and that of a stake in a Normandy energy distribution company, would together bring in FFr1.4bn.

However, Mr Bolloré said that the group's restructuring was not over. Debt had been reduced to FFr5.6bn by the end of September, from FFr8.3bn in mid-1993, but this was still FFr1.8bn more than shareholders' capital, Mr Bolloré complained.

"Our debts must be brought back to the level of our own funds," he said.

He indicated that the group's remaining energy and paper activities might be for sale, saying that the group planned to refocus on its three core areas of plastic film, cigarettes and shipping transport between Europe and Africa.

Bolloré is thought likely to be the main bidder for Seita, the French state's tobacco-making monopoly, when the latter comes up for privatisation. But Mr Bolloré made clear that, for the moment, retrenchment still took precedence over acquisitions and alliances.

He predicted that pre-tax operating profits in the second half would be similar to the FFr193m recorded in the first half of this year.

ICF Kaiser heads Czech consortium

By Joe Cook in Prague

ICF Kaiser, a US engineering group, is to head an international consortium to prepare project financing for the construction of a $250m mini-mill for Nova Hut, the Czech steel producer.

The consortium, which includes Tippins, a US steel producer, and Samsung Heavy Industries of South Korea, may also take a 49 per cent stake in a joint venture with the state-owned Czech group.

A consortium of international banks, possibly including the International Finance Corporation, a private affiliate of the World Bank, will provide $150m for the project. The remaining $100m is likely to come in paid-in capital from a joint venture between Nova Hut and the ICF-led consortium, with the Czech company contributing $51m and the foreign group, $49m.

Mr Adrian Basora, the US ambassador in Prague, called the deal the biggest US greenfield investment to date in the Czech Republic. The mini-mill will provide 200 jobs and produce an annual 1m tonnes of steel. Construction work is expected to start in early 1998.

Nova Hut is 67 per cent state owned and employs 17,000. Last year it posted profits of Kcs1.05bn ($37m) on turnover of Kcs21.32bn, down 50.8 per cent and 5.4 per cent respectively on 1992.

Danish buy for DSC Comms

By Hilary Barnes in Copenhagen and Alan Cane in London

DSC Communications Corporation, a fast-growing Dallas-based telecommunications equipment supplier, has agreed to acquire NKT Elektronik, a Danish manufacturer of fibre-optic transmission equipment.

The consideration is $145m to be paid in cash. The deal, signed last week, is subject to due diligence on the part of DSC.

Mr James Donald, DSC chairman, said the purchase was evidence of DSC's commitment to being a leader in the worldwide telecommunications market. "The acquired technology, products and employee knowledge will be complementary to DSC's existing market position in areas of switching, access systems and transmission systems," he said.

NKTE's technological expertise is respected in the telecommunications industry. It is a leader in a form of optical transmission called synchronous digital hierarchy, which offers high gross profit margins.

Publicly quoted DSC is a 20-year-old company which specialises in high-growth, high added-value areas of the telecommunications systems market.

It turned over about $750m last year and is expected to have sales of just under $1bn this year. Last year it made profits before tax of $109m.

It has 4,500 employees in the US and currently about 250 in Europe. The NKTE acquisition will bring DSC's European workforce up to just under 1,000. It sells to all the leading telecommunications carriers.

NKTE is a subsidiary of NKT, a manufacturer of electro-technical equipment and industrial vacuum cleaners which is quoted on the Copenhagen stock exchange.

NKT Elektronik last year had sales of DKr700m ($119m) and made pre-tax profits of DKr37m.

DCS said NKTE would become the centre for the company's European optical transmission business and a bridgehead for its expansion in other European markets.

Following the disposal of NKTE, the NKT's main activities will be in cables and the Nilfisk industrial vacuum cleaning company, which earlier this year concluded a DKr650m deal to buy one of its main American US competitors, Advanced Machine Company of Minnesota.

Microsoft in German alliance

By Alan Cane

Deutsche Bundespost Telekom, Germany's national telephone operator, and Microsoft of the US, the world's largest supplier of computer software, have agreed to work together to develop multimedia products and services.

The memorandum of understanding, signed last week between Mr Bill Gates, Microsoft chairman and Mr Horst Gellert, Telekom board member, provides for Microsoft's Windows architecture to be used as the basis for Telekom's developments in multimedia.

Mr Thomas Koll of Microsoft Germany said yesterday that Telekom would have access to Microsoft's unpublished Windows95 software. He said it was significant that Europe's largest telecommunications operator should have chosen Microsoft's technology as the basis of their services.

However, the partnership was at a very early stage and few firm decisions had been made. There were at this stage no financial implications, he said. Within six months, he expected that Telekom could say how it intended to use Windows software, which substitutes pictures on the screen for textual instructions.

Mr Koll said no decision had been made on whether Telekom would use Tiger Microsoft software, which is claimed to be able to use networks of inexpensive micro computers to provide services such as video-on-demand. Other companies are using supercomputers to provide the processing power.

Mr Gates has been talking to European telecommunications operators over the past few months to promote Windows as the technology of choice for multimedia. It dominates the market for desktop computer operating systems although it is expected to face fierce competition from new, high-performance operating systems such as IBM's OS/2 Warp.

Adia in black for nine months

By Ian Rodger in Zurich

Adia, the Swiss temporary employment group controlled by Mr Klaus Jacobs, has reported net income of SFr25.1m ($19.4m) in the first nine months of 1994 compared with a loss of SFr112.2m in the same period of 1993.

Mr John Bowmer, chief executive, forecast that net income in the full year would exceed SFr30m, a large increase on the SFr20m forecast he made in July.

Revenues were up 11.3 per cent to SFr2.59bn, or 18 per cent in local currencies. Adia attributed almost all of the growth to a higher volume of temporary hours sold.

Mr Bowmer said the gathering pace of recovery in continental Europe had fuelled "our excellent results". The French operations had performed well in spite of extensive restructuring.

Swiss business was running over 50 per cent ahead of last year in hours sold. Revenues in Germany and the Benelux countries were well ahead in the third quarter.

Business growth was strong in the US, the UK and Australia, but growth in these markets was slowing as the economic recovery matured.

Mr Bowmer said Adia had reached an agreement in principle for the settlement of litigation challenging the terms under which it has agreed to acquire the 19 per cent of Adia Services, its US subsidiary, that it does not own.

UK utility to pay out £186m to shareholders

By David Lascelles, Resources Editor

East Midlands Electricity, the UK utility, is to give £186m ($293m) back to its shareholders in a special interim dividend payment. The pay-out, which brings to nearly £1bn the amounts returned to shareholders by privatised electricity companies this year, drew a call from the Labour Party for a government inquiry into "profiteering".

Mr Jack Cunningham, shadow trade and industry secretary, said: "East Midlands consumers have been forced to pay 20 per cent more for their electricity since privatisation and the government and the regulator have done nothing about it."

The regional distributor is to pay 85p net per share to shareholders who owned their shares before trading started yesterday morning. To offset the effects of this cash outlay the company will also consolidate every 25 shares into 22 new ones. The plan will be put to shareholders on November 18.

Lex, Page 16; Details, Page 25

Pentos to focus on booksellers

By Raymond Snoddy and Paul Taylor

The new management of Pentos, the loss-making UK specialist retailer, is considering selling off most of its businesses and concentrating growth on Dillons, the booksellers.

Mr Bill McGrath, who took over as chief executive in January, outlined his strategy in response to complaints from a group of former senior managers of Pentos to the Financial Times after news of worse-than-expected first-half pre-tax losses of £36m ($56.88m).

More details, Page 24

Record at Caterpillar despite strike

By Laurie Morse in Chicago

Caterpillar, the US producer of construction machinery, reported record sales and profits in the third quarter, in spite of a *continuing strike* by its United Autoworkers' union employees.

The company said earnings jumped on a 19 per cent increase in sales of engines and machinery, and that the strike had no significant impact on its bottom line.

Caterpillar earned $244m, or $1.20 a share, in the quarter, up from $142m, or 72 cents, in the corresponding 1993 quarter. Sales were $3.51bn, compared with $2.81bn in the third quarter last year.

News of the results drove Caterpillar's share price up $2¼ in early trading on Wall Street, where analysts had expected the company to return 85 cents a share.

For *the first nine months the company* earned $676m, or $3.82 a share, on sales of $10.4bn, compared with last year's $533m, or $2.64 a share, on sales of $8.4bn.

The strike, which began on June 21 and covers 14,000 employees at eight Caterpillar plants in the Midwest, left nearly 6,000 salaried and management employees to man the assembly lines during the quarter. The company also brought in contract workers, called back retirees and hired new full-time employees to meet production schedules.

The costs of alternative labour offset any savings *garnered from not paying striking* union employees, the company said yesterday.

Mr James Owens, Caterpillar's chief financial officer, said that the company was prepared to continue to operate in this *mode indefinitely. Mr Owens said the company* was not asking customers to delay deliveries, but that shipments of many products were being made based on the urgency of customer needs.

In spite of the labour difficulties, Caterpillar, which sells nearly half its output outside the US, said that it expected a strong fourth quarter and forecast higher worldwide sales in 1995.

"Worldwide, industry demand in 1994 is increasing in response to improving market conditions and is now likely to be better than previously forecast in nearly *all regions. Exceptions are in Asia, where* moderate growth is still expected, and Africa and the Middle East, where the decline will be greater than anticipated," the company reported.

Eastern Europe targeted for further expansion

By Andrew Baxter

Caterpillar, the world's largest producer of construction equipment, aims to become the *industry's leading force* in eastern Europe, said Mr Vito Baumgartner, chairman of Geneva-based Caterpillar Overseas.

Speaking in London, Mr Baumgartner said: "We are very bullish long-term about eastern Europe. Short-term, these countries have very important challenges to overcome. But they will succeed, and that will bring opportunities."

Caterpillar, based in Peoria, Illinois, does not give turnover figures for eastern Europe, but $200m of its $1.6bn European sales last year came from direct sales to the Commonwealth of Independent States.

It has no immediate plans to *set up construction equipment* plants in the region. Mr Baumgartner said that would depend on how sales developed. However, several of its independent dealers in western countries had already established dealerships in the east, with the US company's encouragement.

As a result, Caterpillar had dealerships in every eastern European country, except Latvia, and that would be "taken care of", he said.

Along with other western suppliers, Caterpillar has benefitted from east European users' rapid shift towards preferring more productive imported machinery.

"Business has been very good," said Mr Baumgartner, "but the Czech Republic was out of the blocks the quickest. Hungary has also done well and we have high hopes for Poland."

He said Caterpillar's purchases of components, such as simple steel fabrications for its west European plants, were increasing.

A St Petersburg joint venture company is producing base frames and other components for Caterpillar's European manufacturing facilities. In the long term, Mr Baumgartner said, this could evolve into a manufacturing base for hydraulic excavators to serve the Russian market.

Meanwhile, construction equipment sales in most western European countries, with the possible exceptions of Portugal and Greece, were recovering well from the recession, Mr Baumgartner said.

The downturn had left the European market down 34 per cent last year on 1989 levels. "We will be looking at 1995 and beyond for the real recovery to take place," he added.

Vito Baumgartner: 'very bullish long-term'

Caterpillar's position had been bolstered by the $340m spent streamlining and upgrading its European manufacturing facilities – part of Caterpillar's $1.8bn "Plant with a Future" programme completed last year.

Amdahl continues recovery in term

By Louise Kehoe in San Francisco

Amdahl, one of International Business Machines' largest competitors in the mainframe computer market, continued its recovery in the third quarter, *after a broad restructuring* last year.

Net income for the quarter was $14.3m, or 12 cents a share. This compares with a *net loss of $275.7m, or $2.41 a* share, in the same period last year when the company took a $235m restructuring charge. Revenues declined by about 7 per cent to $364m from $393m.

Demand for mainframe computers was "relatively strong" during the quarter, Amdahl *said, with seasonal softness in* Europe largely offset by strength in all other geographic regions. Mainframe prices, which fell precipitously over the past two years, are now "reasonably stable".

Amdahl blamed its revenue decline on lower sales of data storage systems because of a product transition. The company introduced new storage products late in the quarter.

"We've accomplished many of the goals established during last year's restructuring," said Mr Joseph Zemke, president and chief executive.

For the year to date, net earnings were $33.9m, or 29 cents a share, on revenues of $1.14bn. In the same period last year, the company lost $539m, or $4.74 a share, on revenues of $1.24bn. The 1993 losses included restructuring charges of $478m.

Higher metals prices help Inco to operating profit

By Bernard Simon in Toronto

Higher metal prices helped Inco, the western world's biggest nickel producer, to report a sharp improvement in third-quarter operating performance.

But the Toronto-based company's bottom line was dented by an accident at one of its Manitoba mines, which forced *it to cut production by 8m lbs* during the quarter, and spend $5m on repairs.

The shortfall in deliveries was made up by purchases from other producers, on which there was little, if any, profit.

Net earnings were US$2.6m, or two cents a share, down from $91.2m, or 83 cents a share, a year earlier. Last year's figure included a $127.9m, or $1.16 per share, gain from the sale of Inco's controlling stake in TVX Gold, a medium-sized gold producer.

Third-quarter earnings were also hurt by a $7m payout resulting from the early redemption of a series of Swiss *franc debentures.*

Sales climbed to $603.2m from $468m. Operating earnings were $47m, compared with a $13m loss. Total debt stood at $1.01bn on Sept 30, down from $1.06bn last December.

Finished nickel inventories fell to 46m lbs on Sept 30 from from 75m lbs three months earlier. The drop was largely attributable to summer holiday shutdowns at the Ontario and Manitoba Divisions during the third quarter.

However, the recent recovery in the nickel market has led Inco to consider reducing next year's holidays. An official said yesterday that the company may shorten the summer shutdown from four to two weeks. *Discussions with trade unions* are due to be held in the first week of December.

Total nickel deliveries rose to 125m lbs from 111m lbs. Copper shipments were 51m lbs, up from 42m lbs.

Inco also reported an improvement in its alloys business because of higher deliveries and reduced costs.

Pfizer claims success for rheumatoid arthritis drug

By Richard Waters in New York

The first significant successes in slowing the progression of rheumatoid arthritis were claimed yesterday by Pfizer, the US drugs group.

The company said that clinical tests of Enablex, a drug currently awaiting approval from the US Food and Drug Administration, showed it had achieved "a statistically significant decrease" in the rate of joint deterioration in patients.

The results of the tests "presage a major therapeutic advance in the management of the crippling disease of arthritis," claimed Dr John Niblack, the company's head of research and development. Full results of the trial will be presented at the annual meeting of the American College of Rheumatology this week.

Pfizer also yesterday said that it expected to have 14 different drugs in late-stage trials by next year, setting the stage for a series of drug launches that would stretch beyond the end of the decade. Dr Niblack warned that some products might prove disappointments, but added: "With this many shots, there are going to be a few goals."

The up-beat news, made at an analysts' meeting in New York, lifted Pfizer's share price by $1½ during morning trading, to $74¾. The company already trades at a higher price/earnings multiple than most competitors, reflecting its strong pipeline of potential new drugs and a series of successful product launches in recent years. In the latest quarter, to the end of September, more than half Pfizer's sales came from drugs launched this decade.

Among other products with good potential singled out by Pfizer yesterday were Zithromax, an antibiotic whose approval the company is seeking to extend for paediatric use.

Clinical trials had shown "outstanding efficacy and safety data superior to competing products," Dr Niblack said.

Clean-up costs take toll on Asarco result

By Laurie Morse

Asarco, the US copper mining company, reported a $16.1m net loss in the third quarter, in spite of rising metals prices. The loss, which amounted to 39 *cents a share, was the result of* a previously announced charge of $45.5m to clean up a closed smelter site in Tacoma, Washington.

Without the charge, Asarco would have earned $14.6m, or 35 cents a share, on sales of $513m, compared with last year's third-quarter loss of $3m, or 8 cents, on sales of $425m.

Nearly all of Asarco's third-quarter operating income was attributable to equity earnings from the company's share of Southern Peru Copper Corporation. Results from Asarco's own Arizona mines continued to be plagued by operating problems.

During the third quarter, Asarco's average realised price for copper increased 29 cents a pound, to $1.15 a pound, while lead prices increased 11 cents to 30 cents a pound.

For the first nine months of the year, Asarco reported net earnings of $15.8m, or 38 cents a share, on sales of $1.4bn.

This compares with last year's loss of $58m, or $1.40 a share, on sales of $1.3bn.

Marsh & McLennan ahead

Marsh & McLennan reported third-quarter revenue of $827m, up 8 per cent from $766m for the same period of 1993, agencies report.

The world's largest insurance broking organisation announced a management shake-up, with Mr David Holbrook elected chairman, Mr John Sinnott president and chief executive, and Mr Timothy Mahoney vice-chairman.

Net *income* increased 10 per cent to $83m, compared with $76m last year. Earnings per share grew to $1.14, an increase of 10 per cent from $1.04 a year ago.

For the nine months ended September 30, revenue increased 8 per cent to $2.6bn from $2.4bn last year. Net income totalled $299m, an increase of 11 per cent from $270m a year ago.

INTERNATIONAL COMPANIES AND FINANCE

Capital Cities/ABC surges 71% in quarter to $133m

By Patrick Harverson in New York

Capital Cities/ABC, the US entertainment and media group, yesterday reported a 71 per cent increase in third-quarter profits to $133.7m, or 87 cents a share.

The strong results were achieved in the wake of another impressive performance from its network and cable television businesses, and a still-favourable advertising environment. Net revenues in the period totalled $1.46bn, up from $1.3bn in 1993.

The group's profits, however, failed to match the previous quarter, when Capital Cities earned $189.5m on revenues of $1.54bn. Also, earnings per share in the latest period were boosted by a 1993-94 stock repurchase programme which reduced the number of shares outstanding by almost 11m, to 154m.

Capital Cities' television operations once again performed well in the quarter, with broadcasting revenues climbing 13 per cent to $1.2bn and operating income soaring 67 per cent to $212.8m, the latter figure aided by the group's emphasis on keeping costs under control.

The flagship ABC network continued to benefit from improved ratings, and although the network lags its rival CBS in total viewership, hit programmes such as *NYPD Blue* and *Home Improvement* have been delivering the audience – the 18- to 49-year-olds – that advertisers crave. Cap Cities' eight affiliate television stations, its ESPN sports cable channel, international operations and radio stations also all reported higher revenues as advertising demand remained strong throughout the broadcasting industry.

Revenues from the group's publishing operations – which include a family of daily and weekly newspapers, shopping guides, books and various specialised magazines – were buoyant, rising 11 per cent to $277.4m. Operating income from the publishing business rose 37 per cent to $41.8m.

Yesterday's results were broadly in line with Wall Street forecasts, and the shares rose by $¼ to $77⅝ in early trading.

Domtar chief executive ousted

By Robert Gibbens in Montreal

Mr Pierre Desjardins, president and chief executive of Domtar, the Canadian paper, packaging and building materials group, has been ousted after a boardroom dispute over policy and management style.

Domtar's part-time board chairman, Mr Paul Gobeil, has also been removed. Domtar confirmed the contracts of both executives were ended as of Sunday.

Insiders estimate that under the terms of their contracts, Mr Desjardins stands to collect about C$1.7m (US$1.2m) and Mr Gobeil nearly C$500,000 as golden handshakes.

Mr Desjardins became head of Domtar in 1990 when profits were tumbling with the north American recession. He had been head of John Labatt's Canadian brewing operation. Mr Gobeil was a minister in the Liberal cabinet of former Quebec premier Mr Robert Bourassa in the 1980s and joined Domtar in 1993.

Mr Stephen Larson, who joined Domtar as president in 1991 from Boise Cascade, the US group, but who left last July following disagreements, has been named Domtar's president and chief operating officer. He is also a director.

Mr Larson is perhaps best known for overseeing a turnround at Domtar's C$1.2bn communications paper mill near Montreal.

The new chairman is Mr Gilles Blondeau, an insurance industry consultant. Mr Raymond Cyr, a former chairman of BCE, the telecommunications group, and Mr John Thompson, president of Montreal Trust, become vice-chairmen. These three appointments are interim.

Domtar is 20 per cent held by Caisse de Depôt, Quebec's public pension fund manager, and 22 per cent by the Quebec Industrial Development Corp, another provincial agency.

Domtar has spun off its newsprint operations but withdrawn a US$400m spin-off of its Canadian and US building materials operations. The company returned to profitability on an operating basis in the first half.

Host Marriott spends $149m on seven hotels

Host Marriott has agreed to buy seven hotels from the Equitable Life Assurance Society of the US, for a total of $149m, Reuter reports.

Host Marriott said it will gain 2,287 rooms in the deal. The hotels are the Sheraton Denver Tech Centre, the Portland Marriott, the Williamsburg, Virginia, Hilton, the San Francisco Marriott Fisherman's Wharf, the Singer Island Holiday Inn in Sunspree, Florida, the Springfield, Missouri, Radisson and the Napa Valley Sheraton Inn.

The hotels in Denver, Williamsburg and Napa Valley will be converted to the Marriott brand and managed by Marriott International Inc. The properties in Portland and San Francisco will continue to be operated under the Marriott brand name. Upon closing, Host Marriott will spend about $12m for improvements and conversion costs.

With these hotels, Host Marriott said it will have acquired 16 properties in 1994 for about $472m.

Detroit Diesel acquires Italian group for $125m

Detroit Diesel, the US manufacturer of heavy-duty diesel engines, is to acquire Italian motor group VM Motori for $125m, agencies report.

The transaction, expected to be completed in early 1995, is subject to various conditions, including regulatory approval.

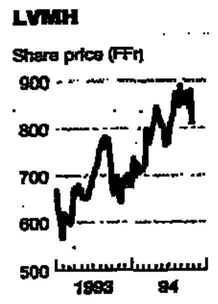
VM Motori designs and manufactures diesel engines for a variety applications. The company's 1994 revenues are expected to exceed $200m.

Mr Roger Penske, the former racing car driver who is chairman of Detroit Diesel, said: "The purchase of VM Motori gives us access to new growth markets which we do not currently serve and is an additional step in our strategy to expand worldwide product offerings."

Detroit Diesel, which employs more than 5,200 worldwide, had 1993 revenues of $1.6bn and net earnings of $20.7m, or $1.17 a share. For the first six months of 1994, revenues were $818m and net earnings were $17.3m or $0.74 a share.

NEWS DIGEST

Terms of Arnault restructure win regulator approval



Source: FT Graphite

French market regulators yesterday approved the terms of a revised offer for the restructuring of Mr Bernard Arnault's French luxury goods and retailing empire, writes Andrew Jack in Paris. The Conseil des Bourses de Valeurs (CBV) said the offer to shareholders from Arnault & Associates, would be open from today until November 23 under improved terms made public on Wednesday last week.

Arnault initially offered minority shareholders of Financière Agache one share in LVMH and one share in Dior, the fashion group. It offered Au Bon Marché shareholders five Dior shares and two LVMH shares for each four shares they held.

Both Agache and Au Bon Marché are part of the LVMH empire, which spans luggage, Cognac and champagne. Arnault & Associates, an LVMH subsidiary, is one company through which Mr Arnault controls the group.

Its revised offer changed the terms for Agache shareholders, proposing nine Dior and nine LVMH shares for every eight shares they held. The Au Bon Marché offer is unchanged.

Separately, LVMH confirmed it has paid FFr120m ($22m) for a 19.8 per cent stake in Fininfo, a subsidiary of Altus Finance, the loss making financial group controlled by Crédit Lyonnais, the state-owned bank.

Matif in link-up talks with competitors

Matif, the French international futures and options exchange, is discussing electronic trading links with competitors in at least three additional European countries, its president said yesterday, writes Andrew Jack.

The links would build on the system recently opened between Matif and Deutsche Terminbörse (DTB), its Frankfurt-based equivalent, which allows French Matif members to trade two products offered by the DTB.

Mr Gérard Pfauwadel, president of Matif, said he had already had expressions of interest in building similar connections between Matif and its counterparts in Spain, the Netherlands and Switzerland.

The links are based on Matif's strategy of focusing on developing domestic niches for products on its own system and electronic trading links with other European futures and options markets.

Links with new European exchanges are unlikely to take place until the start of 1996. Next year, Matif is planning to offer two of its own products – as yet undecided – to DTB traders. If successful, it also hopes to introduce other products and a common clearing system with Germany by the end of 1995.

Sale of surplus Japan Tobacco stock delayed

Japan's ministry of finance has decided to wait until the next fiscal year, starting on April 1, before attempting to sell the large number of Japan Tobacco shares left over after an initial offer that failed to attract widespread investor demand, agencies report from Tokyo.

The ministry said yesterday that 272,390 of the 666,666 shares offered in the partial privatisation were left unsold.

The public offering price had been set at Y1.438m for JT shares which have a face value of Y50,000 ($500). In the first round of the share offer lottery, 145,302 winners exercised their rights to buy JT shares out of a total of 429,339 successful bidders. In the second round, 278,000 applicants won the right to buy shares, but only 12,054 of these actually bought the shares, a ministry official said.

The ministry was attempting to sell 436,666 JT shares through offerings ahead of the company's listing on October 27. Of these, 7,000 have already been sold to the JT employees shareholders' group. Apart from this, the ministry has already sold 230,000 shares to investors in an auction in August.

CDL buys New York hotel for $96m

CDL Hotels, a subsidiary of Singapore's listed City Developments group, is paying US$96m for the 639-room Hotel Macklowe in Times Square, New York, writes Kieran Cooke in Kuala Lumpur.

The purchase is the latest in a series of worldwide luxury hotel acquisitions by CDL, a company which is ultimately controlled by the Singapore branch of the Hong Leong conglomerate.

CDL Hotels has recently purchased the Regent in Kuala Lumpur, the Gloucester and Chelsea hotels in London and the Hotel Nikko in Hong Kong. CDL also owns the Hotel Millenium in New York.

Best third-term result in five years for Maytag

Maytag, the US home-appliance company that makes Hoover products, reported a surge in net income, to $61m from $23m, for the three months to September, on revenues up 10 per cent at $848.9m, writes Richard Tomkins in New York. It said it was the company's best third-quarter performance in five years.

Part of the increase was attributable to a one-time tax benefit of $20m resulting from prior operating losses and reorganisation costs in Europe, but Maytag said that even setting this aside, net profits were up 78 per cent.

All parts of the business contributed to the strong performance, Maytag said.

In North America, the home appliance operations were having an "outstanding" year, and in floor care, Hoover was having its best year since joining the company in 1989.

Higher prices help lift Norsk Hydro

Norsk Hydro, Norway's largest stock-listed company, yesterday reported a rise in nine-month pre-tax profit to NKr4.75bn ($730m) from NKr4.62bn in the same period last year, writes Karen Fossli in Oslo. The result was helped by higher prices for most of its products in spite of a weaker third-quarter performance by the oil and gas division.

Group nine-month sales rose by NKr5.1bn to NKr51.14bn as operating profit rose by NKr2bn to NKr5.35bn. Hydro said that it had virtually completed a far-reaching restructuring programme launched three years ago for its magnesium and agriculture business.

INTERNATIONAL COMPANIES AND FINANCE

Malbak benefits from consumer spending upturn

By Mark Suzman in Johannesburg

Malbak, the South African industrial group, benefited from an improvement in consumer spending in the final quarter to increase after-tax earnings to R545m ($83.8m) for the year to August, up from R479m a year ago.

Turnover rose 15 per cent to R12.6bn from R11bn previously. However, Malbak's operating margin fell to 6.9 per cent from 7.5 per cent, although the group attributed this to expansion in branded consumer products, which are subject to lower margins.

Pharmaceuticals group SA Druggists boosted its contribution to earnings to 17 per cent from 14 per cent on the back of improved productivity.

Branded consumer products, including furniture group Ellerines and electronics manufacturer Tedelex, also did well, raising combined earnings to R88m from R59m.

Packaging group Holdains kept earnings steady at R65m in spite of having to restructure its plastics division, but food processor Foodcorp was hurt by weak trading conditions and could manage only a 5 per cent rise in income to R78m from R73m.

Mr Grant Thomas, group executive chairman, said that although conditions had improved, the recovery in spending remained fragile.

Most of the group's companies have elected to award capitalisation share issues in place of dividends to help fund new capital expenditure.

Malbak will take up its shares in each case, but has increased its own final dividend to 24.5 cents from 22.5 cents, raising the total for the year to 38.5 cents from 35 cents previously.

● Malbak is to acquire Defy, a big domestic manufacturer of white goods, from TEK for R130m.

Strong first half for S Korean brokerages

By John Burton in Seoul

The combined pre-tax profits of South Korea's 32 securities houses during the first half of fiscal 1994, to end-September, rose by 21 per cent to Won329.6bn ($413.2m), according to the securities supervisory board.

The increase reflected growth in commission fees resulting from the recovery of the Seoul bourse, with total securities transactions rising by 37 per cent.

Brokerage firms also benefited from increased income from stock investments and lower financial costs.

Daewoo Securities, South Korea's largest brokerage firm, reported a 26.6 per cent rise in pre-tax profits to Won50.4bn, while net profits grew by 26.7 per cent to Won31.2bn. Sales climbed by 23.5 per cent to Won211.4bn.

Daewoo forecast that pre-tax profits would reach Won135bn for the full year.

Among other houses reporting pre-tax profits, Hanshin Securities rose by 105 per cent to Won47.3bn; Ssangyong Investment & Securities advanced 35 per cent to Won25.2bn; Lucky Securities's profits fell by 22 per cent to Won21.7bn; and Daishin Securities declined 39.6 per cent to Won20.1bn.

At Shin Young Securities, pre-tax profits grew by 30 per cent to Won17.6bn; Dongsuh Securities reported a 34.8 per cent fall to Won14.2bn; Hyundai Securities' profits rose by 11.9 per cent to Won13.1bn; and Sangup Securities had a 26.5 per cent increase in profits to Won11.9bn.

Two houses reported losses, Hanyang having a deficit of Won2.8bn and Dongbu Securities a loss of Won165m.

Samsung drives on towards globalisation

The Korean group is in the throes of a management revolution, writes John Burton

The recent decision by Samsung to build a large electronics complex in the Cleveland region of north-east England is the latest move by South Korea's largest *chaebol* (conglomerate) to transform itself into one of the world's leading multinational corporations.

In the past few weeks, Samsung has also announced the establishment of large manufacturing facilities in China, Thailand and Mexico.

The drive toward globalisation is also causing a management revolution at Samsung, which is the world's largest manufacturer of semiconductor memory chips and one of Korea's leading producers of consumer electronics, ships, machinery and petrochemicals.

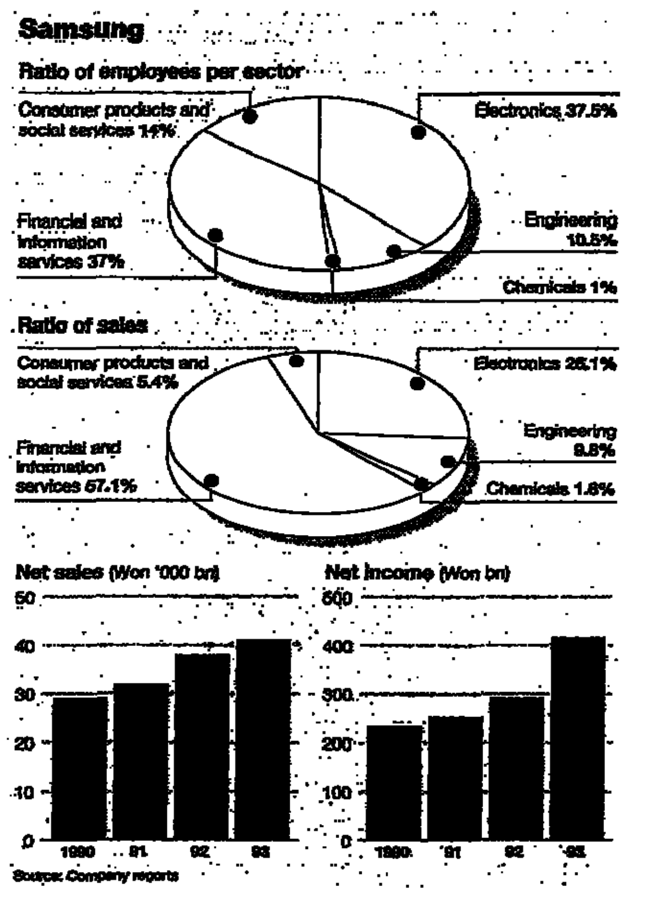
Mr Lee Kun-hee, chairman, is deeply concerned that the group, which his father founded in 1938 as a rice-trading and textile business, remains psychologically ill-prepared to compete in the global market.

The 52-year-old Mr Lee, who was educated in Japan and the US, last year introduced management reforms that emphasise individual initiative in a group that was known for its rigid hierarchical structure and was heavily influenced by Japanese corporate practices.

Announcing the changes, the normally reclusive Mr Lee distributed videotapes of lectures to senior management that engaged in masochistic corporate self-criticism. He warned that Samsung was in danger of becoming a second-rate international business unless the group rapidly shifted its focus from quantity to quality and overhauled its cumbersome bureaucracy.

"Despite the enormous changes in the world, Samsung has yet to comprehend how far behind we are in these rapidly changing and competitive times," he wrote in a group pamphlet that has become mandatory reading for employees.

Mr Lee's diatribe was sparked after a trip to the US, where retailers told him that Samsung consumer electronics suffered from a poor image because of high defect rates.



Source: Company reports

As part of its new approach, Samsung's 180,000 employees in Korea work a shorter and earlier schedule of 7am to 4pm to encourage them to be more productive.

Senior executives must spend four days out of their six-day week at factories and meet customers and suppliers instead of remaining behind their desks. Workers are instructed to stop assembly line operations when they spot a production defect and fix the problem.

Managers are also sent on trips abroad, ranging from three months to one year, to study local market conditions and improve their understanding of different cultures.

It is too early to say whether these management practices are cosmetic or will have a significant effect on corporate performance. But there has been resistance among employees to changes, which are considered "too radical", according to one Samsung executive. An internal survey revealed that a majority of workers disliked the new working hours.

Samsung has no plans to export these management practices to its overseas facilities. "We respect local customs and labour laws," explained one Samsung official.

Moreover, the group seems torn between its traditional commitment to growth and Mr Lee's goal of promoting quality at the expense of quantity, even if it means loss of market share.

There is a growing awareness at Samsung and the other *chaebol* that rampant diversification is hindering global competitiveness.

The groups need to concentrate on a few core industries to achieve success abroad, but Samsung is still finding it difficult to wean itself away from empire-building.

The most controversial aspect of Samsung's corporate strategy is its plan to enter the passenger car business by 1997 at a cost of at least $5bn. The government, and some analysts, warn that the move is risky because Korea could face a production glut in the next few years, as the country's four existing carmakers expand capacity to as much as 6m vehicles a year.

"We need to develop car manufacturing if our engineering operations are to be competitive in the early 21st century, while remaining one of Samsung's main business areas," said Mr Kim Moo, vice-president of Samsung Heavy Industries, which is managing the car project.

Samsung does need to develop other industries that will match the success of its electronics business, which accounted for 55 per cent of the group's net profits of Won418bn ($524m) in 1993, but only a quarter of its total sales of Won41,365bn. Other Samsung businesses are much less profitable.

But one problem with the car project is that it will divert financial resources from the electronics business, when the group needs to spend vast sums on the development and production of a new-generation 256-megabit memory chip and other costly programmes to strengthen its position as one of the world's leading electronics companies.

Some analysts believe that Samsung's car project is motivated by its fear that it will soon fall behind Hyundai – which already owns Korea's largest car company – in the fierce competition to be Korea's largest *chaebol*. The vehicle project also reflects the personal interest of Mr Lee, who is an enthusiastic collector of racing cars.

Whether Samsung can achieve balanced growth, without encouraging excessive diversification, may prove to be the true test of Mr Lee's management reforms.

Canadian forest products groups advance

By Robert Gibbens in Montreal

Canadian forest products companies are reporting big gains in third-quarter profit with strong demand, higher prices and the lower Canadian dollar.

The price rises cover most paper and packaging products, from newsprint to containerboard. North American timber prices, however, moderated as the threat of strikes in British Columbia waned. Japanese markets for specialised Canadian wood products turned higher.

Noranda Forest, now solely an eastern producer, posted third-quarter net profit of C$28m (US$21m), or 18 cents a share, against C$6m, or 2 cents a share, a year earlier. Sales were C$457m, against C$381m.

Nine-month profit was C$82m, or 55 cents, against a loss of C$42m, or 38 cents, (including a C$66m loss on the sale of 49 per cent of MacMillan Bloedel).

Doman, a western timber and pulp producer, reported third-quarter net profit of C$7.4m, or 17 cents, against C$11.1m, or 30 cents, on revenues of C$193m against C$155m.

Primex, a big exporter to Japan, had third-quarter net of C$4.8m, or 56 cents, against C$1.47m, or 17 cents, on sales of C$63m against C$41m.

Slocam, a western integrated group, earned C$25.5m, or 67 cents, against C$10.1m, or 30 cents, on sales of C$201m against C$130m.

West Fraser Timber, another western integrated producer, earned C$29.6m, or C$1.30 a share, up from C$10.1m, or 53 cents, on sales of C$339m against C$228m.

KLEINWORT BENSON SELECT FUND
Société d'Investissement à Capital Variable
Registered office: 14, rue Aldringen, Luxembourg
R.C. Luxembourg Section B 28138

DIVIDEND ANNOUNCEMENT

The Board of Directors has announced to pay a dividend to the shareholders of the following sub-funds:
ECU 0,08 per share for the European Bond Fund payable against presentation of coupon No 2
ECU 0,08 per share for the International Bond Fund payable against presentation of coupon No 2
to shares subscribed and in circulation on 14th October 1994 payable on 31st October 1994 against presentation of their respective coupons.
The shares have been quoted ex-date 17th October 1994.
The shareholders can cash their dividend at the following bank:
BANQUE GENERALE DU LUXEMBOURG S.A.
14, rue Aldringen, L-1118 Luxembourg

The Board of Directors

NOTICE OF REDEMPTION

MORTGAGE SECURITIES (NO.3) PLC
£117,000,000 Multi-Class Mortgage Backed Floating Rate Notes due 2035

Notice is hereby given that, pursuant to Condition 5(c) of the Notes, the Issuer shall redeem:
£7,248.00 per Class A1 Note
£0.00 per Class A2 Note
£0.00 per Class A3 Note
on the next Interest Payment Date, being October 31, 1994.

MORTGAGE SECURITIES (NO.3) PLC
Dated: October 25, 1994

OVERSEAS UNION BANK LIMITED
US$100,000,000
Subordinated Floating Rate Notes due 2011
(Redeemable at the option of the Noteholders in 1996 and 2006)

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the six months 25th October, 1994 to 25th April, 1995 has been fixed at 6.0625%. The interest payable on the relevant interest payment date, 25th April 1995, will be US$7,662.33 per US$250,000 Note.

Agent Bank
West Merchant Bank Limited

RAND MINES LIMITED
DIVIDEND DECLARATION

The directors have declared dividend No. 110 as a final dividend in respect of the year ended 30 September 1994 as follows:

Amount (South African currency)	40 cents per share
Last day to register for dividend (and changes of address or dividend instructions)	18 November
Registers of members closed from to (inclusive)	19 November 27 November
Shares trade ex-dividend in Johannesburg and London	21 November
Currency conversion date for sterling payments to shareholders paid from London	1 December
Dividend warrants posted	12 December
Payment date of dividend	13 December
Rate of non-resident shareholders' tax	15 per cent

Holders of share warrants to bearer are notified that the dividend is payable on or after Tuesday, 13 December 1994 upon presentation of coupon No. 114.

The full conditions of payment of this dividend may be inspected at or obtained from the offices of the share transfer secretaries in Johannesburg or the offices of the United Kingdom registrars, transfer and paying agents in Beckenham, Kent.

By order of the board
Randcoal Services Limited
Secretaries
per J. W. GOATCHER — 24 October 1994

REGISTERED OFFICE:
Randcoal House
31 Chaplin Road
Illovo 2196
(P. O. Box 78861, Sandton 2146)

UNITED KINGDOM SECRETARIES:
Viaduct Corporate Services Limited
19 Charterhouse Street
London EC1N 6QP

UNITED KINGDOM REGISTRARS:
Barclays Registrars
Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU

(Incorporated in the Republic of South Africa)
Registration No. 01/00656/06

RAND MINES

INTERFINANCE CREDIT NATIONAL N.V.
FRF 500.000.000
8,90%
BONDS DUE 2001
with coupon reinvestment option
Common Code : 3389766
Sicovam Code : 14716

According to the terms and conditions of the Bonds, notice is hereby given that 422 supplementary Bonds have been created upon exchange against Coupons on account of payment of interest.

New total nominal amount outstanding as of: 31/10/94 : FRF 625.400.000

The Principal Paying Agent, SOGENAL
SOCIETE GENERALE GROUP
15, Avenue Emile Reuter
Luxembourg

ALLIANCE & LEICESTER
Alliance & Leicester Building Society
£13,000,000
Subordinated Floating Rate Notes due 1998

For the six months 21st October, 1994 to 21st April, 1995 the Notes will carry an interest rate of 7.2% per annum with an interest amount of £35,901.37 per £1,000,000 Note, payable on 21st April, 1995.
Listed on the Luxembourg Stock Exchange.

Bankers Trust Company, London Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

Amex aims to win back market share

The US exchange's new chairman is seeking a turnround, reports Norma Cohen

The American Stock Exchange, once the US's second stock exchange, is seeking to reverse its flagging fortunes, according to its new chairman and chief executive, Mr Richard Syron. "We are changing the direction of the exchange," he says.

The evidence suggests that the Amex badly needs such a change. It has slipped in the past 10 to 15 years and now seriously lags Nasdaq, which has become the world's second largest stock market.

In 1980, both Nasdaq and the Amex had average daily turnover of just under $50m. By 1993, the value of the Amex's turnover was unchanged but Nasdaq was turning over more than $1.2bn each day.

The slide in listings has forced the Amex to turn to non-equity products, such as stock and currency options and other derivative products.

These now account for about half of all products listed on the exchange, and while trades in these are less profitable for the Amex itself, they are more profitable for the exchange's member firms who trade them.

Mr Syron hopes to promote the Amex first through the virtues of its trading system, which is more transparent and less expensive for investors than Nasdaq – a decentralised system of dealers trading via computers.

The US Justice Department's investigation into alleged price fixing on Nasdaq should help to underscore the merits of alternative trading systems, he says.

The Amex, like its much larger competitor the New York Stock Exchange, operates an auction market in which public investors trade directly with each other using screen-based quotes to set prices. Also like the NYSE, it uses "specialists" who will make firm prices to brokers to buy and sell shares through all market conditions.

The exchange says the effect of its system is to narrow the spreads between the best price bid and offered for a given stock to an average of 22 cents per bargain. It says the average quoted spread for a Nasdaq stock is 56 cents per bargain. Mr Syron claims that had Nasdaq stocks traded at the same spreads available to investors trading in Amex-listed stocks, it would have saved investors some $4bn last year.

The Amex argues that its trading system is also advantageous for companies because it reduces the volatility in stock prices.

The Amex, is also trying to revamp its image by flexing its regulatory muscles – an exercise it has practised infrequently over the past decade.

Just two weeks ago, it delisted two companies for regulatory reasons, the first time it has done so since 1971.

The two companies, Beta Wells Inc and Conversion Industries, had allegedly failed to comply with the Amex's disclosure rules, which require companies to make timely and accurate statements about trading conditions.

For the Amex to voluntarily surrender two companies when it is fighting desperately to attract new business from its far more successful competitors may seem counter-productive. But Mr Syron, a former president of the Federal Reserve Bank of Boston, says that the move is a sign of the direction the exchange must take if it is to preserve its future.

"We are and we want to be perceived more as a quality exchange which is fair to investors," Mr Syron said, adding "That is completely compatible with our commercial interests."

Mr Syron says he believes that increasingly, investors will expect exchanges to protect them and their assets from abuse.

The fact that individuals will have to make greater provision for their own retirement means that US investors will want to achieve higher returns for their savings, he says. That will require shifting out of the low-yielding fixed income securities they have been selecting for pension investment into higher-yielding, but potentially riskier, equities.

"The whole issue of investor protection is going to be very important from a political perspective," Mr Syron says.

An exchange which is perceived as a tough regulator will have a competitive edge over one that is not, he argues.

To that end, the Amex has appointed a committee of its non-executive board members to examine the rigour with which the exchange applies its own listing standards.

"There are pressures for us to obtain listings," he concedes. Also, the exchange is reviewing its listing requirements to consider whether they should be made more, or less, tough.

Other measures aimed at encouraging companies to list their shares on the Amex include the creation of an investor relations department which helps develop communication strategies – seen as a particularly important service for non-US companies listing their American Depositary Shares.

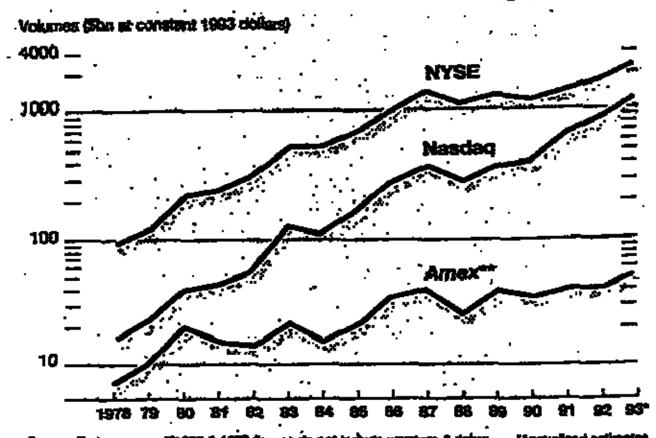
In seeking niche businesses for itself, the Amex has targeted the ADS market of foreign companies. The UK conglomerate BAT, for instance, has listed its American Depositary Shares on the Amex.

Meanwhile, the exchange is also planning its first print media advertising campaign and has hired its first marketing professional to put in place a formal strategy.

The Amex is also examining the potential for new products, including one aimed at retail investors who wish to buy odd-lots of older US government bonds.

Mr Syron concedes that the Amex, whose slogan is "Fair trade, fair practice, fair play", has some way to go to win back some of the market share it lost to Nasdaq since 1980, but he believes it is making a start. "You have to deal with image from the inside out," he says.

Amex seeks to change its fortunes



Source: Forbes **1978 & 1979 figures do not include warrants & rights *Annualised estimates

Richard Syron

Lufthansa share issue increased to meet demand

By Andrew Fisher in Frankfurt

Strong demand by investors for shares in Lufthansa, the German airline, has led to the placing of a further 1m shares by Dresdner Bank to bring the total raised by the privatisation issue up to nearly DM1.1bn ($730m).

Dresdner, which co-ordinated the issue, said it had placed these extra shares, initially held back under the so-called "green-shoe" option, to meet excess demand and stabilise the share price.

This was the first German privatisation to use the book-building method of collecting investors' bids; this is designed to help set the most appropriate selling price and pinpoint long-term investors.

The Lufthansa issue, which the "green-shoe" allocation brings up to 6m shares, was heavily oversubscribed and seen in the market as a precursor to the much bigger Deutsche Telekom issue, expected early in 1996.

The Lufthansa shares – priced at DM182, a small discount to the market level at end-September – were made available by the Bonn government, which waived its allocation under the recent rights issue. This brought the state's share in the airline down to around 40 per cent from just over 50 per cent. Yesterday, the shares closed at DM186.

The partial sell-off of government shares in Deutsche Telekom, the German telephone monopoly, is likely to raise more than DM10bn when the first tranche is issued. Details still have to be worked out, including the choice of banks to manage the issue.

More than 20 foreign banks have recently been putting their case in Bonn to try to win the mandate of global co-ordinator. The German placing is expected to be shared between Dresdner and Deutsche Bank.

RAND MINES LIMITED

Audited results of Rand Mines Limited for the year ended 30 September 1994

	30 September 1994 Rm	30 September 1993 Rm	Change %
Turnover	-	-	0
Profit before taxation	48.3	77.4	(37.6)
Attributable to shareholders in Rand Mines Limited	37.6	69.7	(46.1)
Earnings per share (cents)	63.0	116.9	(46.1)
Ordinary dividends per share (cents)	63.0	57.5	9.6
Interim (cents)	23.0	25.0	(8.1)
Final (cents)	40.0	32.5	23.2
Dividend cover (times)	1.0	2.0	(50.0)

MERGER OF RANDCOAL LIMITED ("RANDCOAL") AND TRANS-NATAL COAL CORPORATION LIMITED ("TNCC")

In terms of an agreement reached between the company, Randcoal, Gencor Limited and TNCC, Randcoal is to be merged with TNCC with effect from 1 October 1994. The terms of this agreement are such that Rand Mines' investment in Randcoal will be diluted from 76.8% to between 36.1% and 46.1%.

The directors have decided, in terms of the relevant sections of the Companies Act, not to consolidate the Randcoal group of companies in the 1994 financial statements. The directors believe that the presentation of the financial statements in this format provides more meaningful information for shareholders. The 1993 comparatives have been restated accordingly. Randcoal's annual report will be appended to the Rand Mines annual report.

Information in respect of the Randcoal group as required by paragraph 54 of the Fourth Schedule of the Companies Act:-

	30 September 1994 Rm	30 September 1993 Rm
Outside shareholders' interest	196.9	183.1
Group's share of:		
Retained income beginning of the year	300.1	270.9
Retained surplus for the year	45.8	29.2
Retained income end of the year	345.9	300.1

- Expenses associated with long term leases were the main items giving rise to the operating loss.
- Dividends received from Randcoal increased from R44.6 million to R49.5 million.
- Randcoal's earnings per share have increased by 10% to 96 cents per share mainly as a result of the containment of costs.

The Dividend Declaration is advertised today in this newspaper

(Incorporated in the Republic of South Africa)
Registration No. 01/00656/06

RAND MINES

INTERNATIONAL CAPITAL MARKETS

US Treasury long bond yield climbs above 8%

By Frank McGurty in New York and Conner Middelmann in London

The yield on the benchmark 30-year US Treasury bond climbed above an important psychological mark yesterday morning, as traders looked anxiously ahead to this week's supply auction.

By midday, the benchmark 30-year government bond was 8/32 lower at 94 4/32, with the yield rising to 8.019 per cent, just above a technical point of support at 8.00 per cent. At the short end, the two-year note was down 1/16 at 99 22/32, to yield 6.777 per cent.

There was no fresh economic news to influence sentiment. As a result, the decidedly bearish tone which had been established last week carried over into yesterday's opening.

The market was convinced the Federal Reserve would lift short-term interest rates at its November 15 policy-making session, and they were busy calculating how such a move would affect their current commitments.

That was having a negative impact on trading on the day before the Treasury was to auction $17.25bn in new two-year notes. Today's auction will be followed by tomorrow's sale of $11bn in five-year notes.

Some analysts were betting that the Fed would decide to lift rates by more than a percentage point, which would undercut the attractiveness of this week's issues.

The selling yesterday came across the board, not just at the short end. As the long bond's prices fell, the yield climbed back over the 8.00 per cent mark, where it has attracted buying interest in the past. Last Friday, the return on the long bond receded a little after crossing the line.

■ Shrugging off encouraging inflation data in Germany, European government bonds were depressed by continued weakness in US Treasuries and ended a listless session weaker across the board.

GOVERNMENT BONDS

In addition to the bearish sentiment spreading from across the Atlantic, the prospect of fresh supply this week in the German, UK, Japanese, Italian, Ecu and US bond markets, accompanied by continued investor abstinence, put a damper on prices. Technical factors in many markets are also bearish, analysts said.

■ German government bonds ended the day about ¼ point weaker, unimpressed by reports that consumer prices in North Rhine-Westphalia and Baden-Württemberg rose by only 0.1 per cent in the month to mid-October. Although the news gave bunds a brief lift, the gains were not sustainable.

"When you get good news and prices don't rise, that usually indicates that a market wants to go down," said a Frankfurt bund dealer.

In after-hours trading, the December bund future on Liffe breached key technical support at 89.50, which also does not bode well for the near term, a dealer said. It ended at 89.46, down 0.36 points on the day.

Despite their unimpressive performance, bunds are still the best bet in current bond market conditions, said Mr Adrian James, bond strategist at NatWest Markets. "Bunds may not necessarily do well in absolute terms, but they still tend to outperform in this environment," he said.

■ Sweden was one of the few markets which managed to out-shine bunds, boosted by the unexpected success of the government's latest bond auction, where all the paper in both tranches offered was snapped up by a single buyer.

This sparked another sharp rise in prices, pushing the yield on the benchmark nine-year bond down by 16 basis points to 10.71 per cent.

The yield gap over bunds narrowed by 22 basis points to 316 basis points. It was as wide as 360 basis points in the middle of last week, but has been sharply eroded by the Swedish market's stunning performance in recent days.

After its speedy contraction, the spread looks "dangerous," warned Mr Graham McDevitt, bond strategist at Paribas Capital Markets.

"We have entered the red zone," he said, pointing to the risks facing the Swedish market: the European Union referendum on November 13, another increase in interest rates, and continued uncertainty on the fiscal front.

■ UK gilts fell by more than ½ point, dragged lower by the US market and weighed down further by the prospect of £2.5bn of new supply at tomorrow's gilt auction. However, dealers said they expected the issue to meet solid demand since it is next year's new five-year benchmark.

The December long gilt futures contract slipped by 19/32 points to 101 9/32.

Warrants issued on Italian index

By Richard Lapper

International investors should enjoy easier access to the Italian equities market following the launch of two new derivatives products. NatWest Markets will today launch a series of call warrants related to each constituent share of Italy's MIB-30 index, while Morgan Stanley, the US investment bank, yesterday issued warrants on the MIB index itself.

Both developments come ahead of the expected launch in November of stock index futures on the Milan exchange. They should help further improve market liquidity.

NatWest has launched warrants exercisable into several Italian stocks, including Fiat and Olivetti, over the past 18 months. It will create a liquid secondary market in the warrants by publishing "live" two-way prices on Reuters. "This will give investors flexibility, choice and guaranteed liquidity," said Mr Nick Conington, a director of derivatives at NatWest Securities.

The new warrants will be offered with a one-year maturity to fill a "perceived gap" in the market, explained Mr Conington. "Options quoted on the Milan bourse, known as premi, typically have a life of just one or two months," he said.

Morgan Stanley's warrants are on the MIB-30 index, which has been chosen as the official index of the Italian stock exchange. The bank said the issues are "intended to provide investors with similar exposures to those that would be obtained on a traditional traded option market."

Maturities coincide with anticipated futures expiry dates. Morgan Stanley is issuing calls and puts at each strike and maturity to allow investors to choose the warrant most suited to their needs.

The bank launched warrants on Italy's BCI-30 index in July last year and remains an active player in that market.

Trading is expected to start in the stock index future on November 28 on Milan's "telematico" screen-based system.

Short-dated dollar deals aimed at retail investors

By Martin Brice

The eurobond market was yesterday dominated by short-dated dollar deals aimed at retail investors.

The World Bank announced it was planning a Y200bn global deal. Co-leads were named as Merrill Lynch, Nikko and Nomura.

Sources in the market not connected with the deal said the World Bank bond would probably be in the 10-year maturity, and be priced at 8 basis points over the No 174 Japanese government bond.

One syndicate manager said that although the bond would be a global offering, much of the demand would be in Japan. "There is no demand for yen bonds in the US and Europe now," he said.

A long-dated Spanish peseta deal is also rumoured to be in the offing.

In the dollar sector, Peregrine Capital created an unusual structure for a $250m bond with a 7 per cent coupon due 2001 for Hutchison Delta Finance.

INTERNATIONAL BONDS

The bonds will be exchangeable into ordinary shares of Hutchison Delta Ports, which has said it will seek a listing within seven years, Peregrine said. If no initial public offering has taken place by the redemption date the issuer is required to redeem the bonds at 124.078 per cent of the principal plus accrued interest.

Peregrine said that demand had come from the US and Europe for the bonds, which are guaranteed by Hutchison Whampoa, the Hong Kong conglomerate.

Also in the dollar sector, SBC brought its third issue this year for Rabobank Nederland, a four-year $250m offering with a 7.5 per cent coupon. This deal saw good demand from its target of Swiss retail and small institutions. SBC said spreads on the two other deals for Rabobank this year have tightened since issue.

IBJ's $150m offering from Swedish Export Credit was aimed at European retail customers, mostly in the Benelux region and Switzerland, and as is usual with issues of this type was expected to take a few days to clear.

Goldman Sachs brought a Y15bn floating-rate note issue for J-Cars and reported good demand for the first securitisation of car loan receivables from Japan. When freed to trade the spread tightened by 2 basis points, Goldman said.

Deutsche Bank took advantage of unsatisfied demand for the recent World Bank offering and brought a L200bn deal for the Republic of Austria. Sales were mainly outside Italy.

A four-year DM200m deal for Export Development Corp of Canada, brought by Merrill Lynch Frankfurt, was targeted at European retail and Canadian institutional investors and met good demand.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Rabobank Nederland	250	7.5	100.05R	Nov.1998	0.225R	+10(a)	Swiss Bank Corp
Hutchison Delta Finance(b)§	250	7.0#	100.00R	Nov.2001	-	-	Peregrine Capital
Swedish Export Credit	150	7.0	99.81R	Nov.1996	0.15R	+18(WI 2yr)	Industrial Bk of Japan
CIC(c)‡	100	(c)	100	Aug.2001	0.25	-	Sanwa Intl.
Morgan Guaranty Trust(e)	100	7.0	99.95R	Nov.1996	0.125R	+14 (6½%-96)	JP Morgan
Sophora Comercio(h)	60	(h)	(h)	Nov.1998	0.875	(h)	Bankers Trust Intl.
Iochpe Maxion(f)	50	12.375#	99.536R	Nov.2002	1.00R	+500(WI 5yr)	JP Morgan
YEN							
J-Cars Corp.‡	15bn	(d)	100R	Nov.1998	0.40R	-	Goldman Sachs Intl.
D-MARKS							
Rheinische Hypotheken Bk.‡	500	(g)	100.06	Nov.2004	0.20	-	DG Bank
Export Development Corp	200	7.0	101.87	Nov.1998	1.75	-	Merrill Lynch
CANADIAN DOLLARS							
GEC Canada	125	8.75	99.977R	Dec.1998	0.25R	+8 (7¾%-99)	ScotiaMcleod
ITALIAN LIRE							
Republic of Austria	200bn	11.0	101.315	Dec.1997	1.375	-	Deutsche Bank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. §Convertible. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Over interpolated yield. b) Mandatory exchangeable bond. c) Full name of borrower: Cie Financiere de CIC et de l'Union Europeenne. Fungible with existing $150m issue 41 days after payment date. Coupon pays 3-mth Libor + 18.75bp. d) 1-mth Yen Libor + 20bp. e) Fungible with existing $200m deal. f) Put option at par on 8.11.99. g) 3-mth Libor flat. h) To be priced today.

Guinea in telecoms sale

By Martin Brice

Advisers to the African republic of Guinea are this week studying proposals submitted by foreign investors to privatise the national telecommunications company.

Foreign companies had until last week to submit proposals for the state-run international and domestic telecommunications company (Sotelgui). The privatisation is part of the Guinean government's sell-off programme, which also involves the energy sector and hotels.

Mr Arnaud Casalis, of Arthur Andersen Paris, the international accounting and consulting group brought in to advise the government, said: "We have convinced the government that it would be better to use the funds to develop the company rather than bring in money for the government."

The deal involves the sale of a minority stake of up to 49 per cent. Mr Casalis said a later tranche of up to 51 per cent would be aimed at Guinean nationals. A decision on the foreign proposals would be made in late December.

Belgium granted a BFr100m loan to Guinea in 1993 to enable the country to set up a 300-line digital telephone exchange.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.7900	-	10.17	10.10	10.20
Belgium		7.250	04/04	92.2000	-0.200	8.47	8.24	8.56
Canada *		6.500	06/04	83.5500	+0.150	9.11	9.03	8.95
Denmark		7.000	12/04	88.2200	+0.020	8.80	8.68	9.07
France	BTAN	8.000	05/98	101.3750	+0.120	7.53	7.48	7.46
	OAT	5.500	04/04	82.3100	-0.190	8.25	8.02	8.14
Germany Treu		7.500	09/04	99.5700	-0.390	7.56	7.34	7.59
Italy		8.500	08/04	80.9400	-0.070	11.84†	11.68	11.51
Japan	No 119	4.800	06/99	102.5970	-0.270	4.14	4.01	3.85
Japan	No 164	4.100	12/03	96.0960	+0.160	4.71	4.70	4.53
Netherlands		7.250	10/04	97.9200	-0.400	7.55	7.28	7.55
Spain		8.000	05/04	81.6000	+0.150	11.21	10.92	11.16
UK Gilts		6.000	08/99	89-29	-10/32	8.60	8.32	8.72
		6.750	11/04	86-28	-19/32	8.73	8.47	8.90
		9.000	10/08	102-11	-22/32	8.71	8.46	8.66
US Treasury *		7.250	08/04	96-03	-9/32	7.83	7.62	7.54
		7.500	11/24	94-04	-3/32	8.02	7.85	7.78
ECU (French Govt)		8.000	04/04	83.5200	-0.070	8.60	8.41	8.70

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.78	Two year	6.78
Prime rate	7¾	Two month	5.46	Three year	7.08
Broker loan rate	6½	Three month	5.13	Five year	7.47
Fed.funds	4¾	Six month	5.69	10-year	7.81
Fed.funds at intervention	-	One year	6.19	30-year	8.01

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.62	110.32	-0.08	110.64	110.20	73,496	130,466
Mar	109.78	109.54	-0.10	109.78	109.66	1,219	11,422
Jun	109.00	108.76	-0.10	109.00	109.00	2	761

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
110	0.63	1.27	-	0.18	0.92	2.19
111	0.06	0.76	1.32	0.77	1.41	-
112	0.02	0.41	0.95	1.66	2.05	-
113	-	0.19	-	-	2.84	-
114	-	0.08	-	-	-	-

Est. vol. total, Calls 17,260 Puts 30,924. Previous day's open int., Calls 289,914 Puts 330,232.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.84	89.47	-0.35	89.90	89.42	73977	185202
Mar	88.97	88.66	-0.35	89.01	88.69	165	4433

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
8900	0.47	1.15	1.02	1.36	0	0.68	1.34	1.68
8950	0	0.87	0.79	1.13	0.03	0.90	1.61	1.95
9000	0	0.64	0.60	0.92	0.53	1.17	1.92	2.24

Est. vol. total, Calls 14531 Puts 10551. Previous day's open int., Calls 308805 Puts 275982

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.25	99.24	+0.09	99.53	99.07	17024	59055
Mar	98.60	98.47	+0.10	98.63	98.60	518	4656

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9900	1.46	2.44	1.22	2.97
9950	1.19	2.22	1.45	3.25
10000	0.95	2.01	1.71	3.54

Est. vol. total, Calls 275 Puts 563. Previous day's open int., Calls 23707 Puts 26207

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.90	86.65	+0.01	86.90	86.62	33,106	75,670
Mar	-	85.95	-	-	-	-	50

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101-05	100-18	-0-19	101-09	100-15	22823	100340
Mar	-	99-19	-0-19	-	-	0	46

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
100	1-36	2-16	1-00	2-42
101	1-02	1-50	1-30	3-12
102	0-40	1-24	2-04	3-50

Est. vol. total, Calls 347 Puts 202. Previous day's open int., Calls 70808 Puts 42338

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	80.48	80.48	-0.08	80.66	80.44	891	6,397

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	97-29	97-23	-0-06	98-02	97-20	335,089	400,071
Mar	97-08	97-03	-0-05	97-13	97-00	1,257	27,391
Jun	-	96-20	-	-	-	9	11,236

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	107.25			107.33	107.22	1367	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Oct 24	Day's change %	Fri Oct 21	Accrued interest	xd adj. ytd		Low coupon yield Oct 24	Oct 21	Yr. ago	Medium coupon yield Oct 24	Oct 21	Yr. ago	High coupon yield Oct 24	Oct 21	Yr. ago
1 Up to 5 years (24)	118.92	-0.07	119.00	1.14	9.83	5 yrs	8.64	8.58	8.02	8.69	8.63	6.26	8.84	8.78	6.41
2 5-15 years (22)	138.25	-0.33	138.71	1.51	11.00	15 yrs	8.59	8.54	6.95	8.72	8.66	7.11	8.94	8.89	7.31
3 Over 15 years (8)	154.60	-0.44	155.28	2.13	10.57	20 yrs	8.54	8.50	7.07	8.72	8.66	7.17	8.83	8.79	7.34
4 Irredeemables (6)	178.35	-0.47	179.20	4.39	8.83	Irred.†	8.60	8.56	7.21						
5 All stocks (60)	135.66	-0.26	136.02	1.50	10.62										

Index-linked	Mon Oct 24	Day's change %	Fri Oct 21	Accrued interest	xd adj. ytd		Inflation 5% Oct 24	Oct 21	Yr. ago	Inflation 10% Oct 24	Oct 21	Yr. ago
6 Up to 5 years (2)	185.96	-0.01	185.98	0.30	5.07	Up to 5 yrs	3.86	3.87	2.17	2.69	2.67	1.33
7 Over 5 years (11)	173.16	-0.08	173.30	0.74	4.36	Over 5 yrs	3.86	3.85	3.12	3.66	3.65	2.94
8 All stocks (13)	173.61	-0.07	173.74	0.69	4.41							

Debentures and Loans	Mon Oct 24	Day's change %	Fri Oct 21	Accrued interest	xd adj. ytd	5 year yield Oct 24	Oct 21	Yr. ago	15 year yield Oct 24	Oct 21	Yr. ago	25 year yield Oct 24	Oct 21	Yr. ago
9 Debs & Loans (77)	126.66	-0.56	127.67	2.19	9.24	9.73	9.67	7.65	9.69	9.62	8.02	9.65	9.58	8.16

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 24	Oct 21	Oct 20	Oct 19	Oct 18	Yr ago	High*	Low*
Govt. Secs. (UK)	90.94	91.29	91.30	91.60	91.78	103.24	107.04	89.54
Fixed Interest	107.94	108.05	108.31	108.55	109.08	124.84	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17
Gilt Edged bargains	91.9	86.8	89.4	89.6	91.4
5-day average	89.9	91.0	94.4	97.6	99.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 24

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88⅜	88⅝	-⅛	8.45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 7¼ 97	5500	100⅞	101	-⅛	6.79
Volkswagen Intl Fin 7 03	1000	94	94⅝	-¼	7.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Natl Treasury 8 03 £	1000	91¼	91⅝	-¼	9.54
Alliance Leics 11⅞ 97 £	100	105¼	106¼	-⅛	8.70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas 9pc 1994‡‡	8.97	-	100 5/16xd	-	103 3/32	100 3/16
12pc 1995	11.82	5.60	101 9/16	-	107 3/16	101 1/16
Exch 3pc Gas 1990-95	3.04	5.71	98 21/32xd	-	98 13/16	97¼
10¼pc 1995	9.96	6.55	102 29/32	-	107 13/32	102⅝
Treas 12¾pc 1995‡‡	12.04	6.94	105 29/32xd	-1/16	113⅜	105 29/32
14pc 1996	12.96	7.17	108	-	117 9/16	107 31/32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Funding 3½pc 1999-4	4.81	7.57	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 9½pc 2004	9.07	8.82	[illegible]	[illegible]	[illegible]	[illegible]
Treas 6¾pc 2004‡‡	7.76	8.73	[illegible]	[illegible]	[illegible]	[illegible]
9 ½pc 2005	8.63	8.71	[illegible]	[illegible]	[illegible]	[illegible]
Conv 9 ½ pc 2005	9.06	8.80	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12½pc 2003-5	10.35	9.11	[illegible]	[illegible]	[illegible]	[illegible]
7½pc 2006‡‡	8.33	8.71	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

[illegible]

• 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

The mother of kitchen sink dramas

Raymond Snoddy and **Paul Taylor** report on the row brewing over continuing losses at Pentos

A group of former senior managers at Pentos, the specialist retailer, have accused Mr Bill McGrath, the new chief executive, of making things worse at the lossmaking company with mistaken strategies and trading policies.

The managers were stung into comment by the worse than expected half-year results, announced earlier this month, which showed pre-tax losses of £36m, including a further £10.5m of charges.

None of the managers would speak attributably, but they expressed concern that the future of Pentos might be in doubt unless current policies were changed.

One of the factors worrying them most was that there should be further charges. Last year's losses of £70m had included large provisions.

In his recent book "Against My Better Judgment", Mr Terry Maher, the ousted chairman of Pentos, claimed that a small profit envisaged at the September board meeting had been turned into the £70m loss by "the mother and father of 'kitchen sink' jobs" in terms of taking provisions.

One former manager said the total provisions had been so large that "my grandchild could now run Pentos at a profit".

The complaints included that

Bill McGrath: irritated by anonymous criticisms

destocking at Dillons, the booksellers, had been too extreme; price-cutting at Rymans, the stationers, had been too vigorous; the group was planning to spend too much on a new centralised computer system; and it was not listening to staff who knew how to run the business.

"It's got far worse because of what's been done, not what Terry (Maher) did," said one. However, another dismissed manager said he thought the former management team at Pentos bore much greater responsibility for the company's problems than anything Mr McGrath was responsible for.

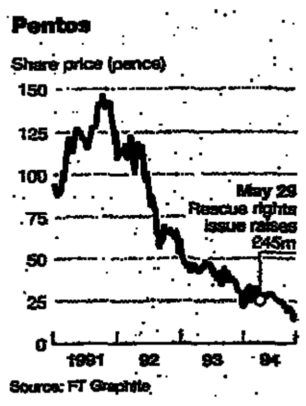
Mr McGrath, who once ran Wickes, the DIY chain, made it clear he was irritated at having to defend himself against anonymous former "disaffected management". But he then went through the state of Pentos, which he believes would not have survived without the £45m rights issue which became available in May.

"The business had bank debts of over £90m and owed suppliers nearly £55m, and this is a company with a turnover of £245m. I think that might put into perspective how the business had been managed up until then," said Mr McGrath.

The new provisions, he said, ranged from rent so far behind that it was paid at the end of the year rather than the beginning, uncertainty over how many gift vouchers had been issued or redeemed, unmatched invoices and overdue personal debts on books.

"The first write-offs were not the kitchen sink. This was cleaning up what had been a badly run administrative process. We are now improving our market share," Mr McGrath said.

At Dillons, he found that for



Source: FT Graphite

40 per cent of the stock, not a single title had been sold in six months. The company still stocks 200,000 titles – but these were books people wanted to buy, he added.

"We have sales parity with last year, with stocks a third lower," he added. Efforts have also been made to improve relationships with suppliers. Some small publishers had in the past not been paid for up to nine months.

Mr McGrath said that when he looked into the direct mail order book business he found teenage staff on the first floor of the company's Kensington store sorting out cheques lined up on the carpet.

The company has now produced separate catalogues for Dillons and Hatchards, and the business is handled by a third party supplier.

Mr McGrath believes that Rymans was "way out of line on price", a perception backed up by market research. Rymans was now selling at a 5 to 7 per cent premium to out-of-town operators, a fair difference for convenience, he said.

Athena was trying to sell picture frames at prices 40 per cent above anything comparable. "We are now selling picture frames 60 per cent cheaper than a year ago with a margin that is better."

Mr McGrath said Pentos was trading within its bank borrowing limit of £69m. The company had reached its annual peak at £63m to £64m, and Mr McGrath was feeling positive about the Christmas period.

"We are through the worst. We have addressed the fundamentals, cleared out the stables," said Mr McGrath, who accepts that the previous management had never acted with anything other than the best of intentions.

The centralised computer system is also going ahead, under the eye of an internal committee – chaired by Mr Tony Maher, son of the former chairman.

Moss Bros pleases City with jump to £1.92m

By Richard Wolffe

Moss Bros Group, the specialist men's wear retailer, outstripped City expectations for the second time this year by trebling pre-tax profits in the six months to July 30.

The shares jumped 37p to 375p yesterday after the company reported pre-tax profits of £1.92m (£625,000) on turnover up 18 per cent to £30.1m (£25.5m). Analysts had forecast profits of between £1m and £1.3m.

Operating profits increased fivefold to £1.6m (£304,000) as the group maintained gross margins of about 50 per cent.

Mr Rowland Gee, managing director, said the group would expand organically, adding six new shops to its current total of 100.

"We are not in the business of running off to buy other people's failed brands," he said. "Our expansion will be careful. We will not be signing idiotic leases."

Moss Bros claims to have increased its share of the suit market from 6.5 per cent to 7 per cent as competitors have withdrawn from suit sales to concentrate on casual clothes.

The group's stores include Savoy Taylors Guild, serving the classic suit market; The Suit Company, serving the mainstream market; and Cecil Gee, the fashion chain. Its target customers are aged between 25 and 64.

The group remains cautious but "confident" about the Christmas period, which dominates its earnings. It also expects the second half to be affected by the cost of opening two new shops in January.

Although capital expenditure increased by 43 per cent to £1.7m, net cash also grew, from £10.2m to £13.6m.

Trevor Humphries

Rowland Gee: expansion will be careful, with no 'idiotic' leases

The interim dividend is doubled to 3p (1.5p) to reduce disparity. Earnings per share trebled from 2.5p to 7.6p.

● COMMENT

Moss Bros prides itself on a cautious strategy: waiting for the right shop lease to come along in the right location, keeping cash in the bank and targeting a mature customer, who can give the business a decent margin. Predicting Christmas trading is notoriously difficult, but the group is expected to show a 12 per cent increase in like-for-like sales in the second half. According to the company, this is comfortably outstripping growth in the men's wear market of 4 to 5 per cent this year. Analysts yesterday raised forecasts for full-year pre-tax profits from roughly £5.3m to £6m, giving a p/e of 16 on yesterday's closing price. This is on a par with the sector, while Moss Bros deserves a premium. Optimists about consumer spending may see an additional reason to buy the shares.

VW absorbs Seat UK to complete British revamp

By Kevin Done, Motor Industry Correspondent

Volkswagen, the leading European vehicle maker, is to consolidate all its vehicle importer/distributor operations in the UK through the takeover of Seat UK by VAG (UK), which already controls the VW, Audi and Skoda brands.

Seat UK, a subsidiary of the VW group's Spanish subsidiary, is to become a fourth franchise division of VAG (UK). It will continue to operate as a separate franchise with an independent dealer network, and a distinct product range and marketing and pricing structure.

The aim was to achieve "operating efficiencies in all the central support functions" of the different franchises, Seat UK said.

Mr Stan Cholaj, managing director, said it was expected that the Seat operations would be transferred "within a year" from Crawley to Milton Keynes, where VAG UK has its headquarters.

The takeover of Seat UK by VAG (UK) will be the final step in the consolidation of the VW group's UK operations, which have undergone a far-reaching restructuring in the past two years.

Volkswagen acquired VAG UK, the British importer of VW and Audi vehicles, from Lonrho, the international trading group, early last year. VAG (UK) took over the management of Skoda Automobile UK, which imports cars from VW's Czech subsidiary, in January.

Financial services for the four franchises have been merged under the management of Volkswagen Financial Services (UK), and parts distribution has also been brought under central management.

VAG (UK) has also set about separating dealer franchises, with sales and marketing groups for each brand.

Mr Richard Ide, managing director of VAG UK, said this process would be completed by early 1997, by which time there would be some 170 Audi dealerships with separate showroom facilities from the VW brand. The VW dealer network will total about 300.

All-round growth takes John Swire to £299m

John Swire, owner of Cathay Pacific, the Hong Kong-based airline, reported pre-tax profits of £299m on turnover of £2.11bn for the six months to June 30. The outcome compared with profits of £234m on turnover of £1.9bn last time.

The bulk of the group's profits came from Swire Pacific, its listed, partly-owned subsidiary undertaking in Hong Kong.

Trading profits of the wholly-owned businesses were slightly lower but there was a surplus on the 1994 disposal of an office property in Japan.

Cathay Pacific experienced modest growth in profits, despite pressure on margins and higher net charges following a fall in returns from funds under management. The Hong Kong Aircraft Engineering Company turned in only a marginal increase.

The property and industries divisions showed good growth and the insurance arm showed a slight improvement.

Business at the Taiwan motor vehicle distribution arm was buoyant. Marine services had good results from container terminal and dockyard operations in Hong Kong.

John Swire has requested that the London Stock Exchange cancel the listing of its 6.3 per cent cumulative preference shares as from December 30. It also intends to seek shareholder approval to amend its articles of association and for authority to purchase its preference shares. The company's ordinary shares are unlisted.

Name change for Abbey Panels

By James Whittington

Abbey Panels Investments, the Coventry-based engineering company, has changed its name to Loades following an extraordinary meeting yesterday.

The company designs and manufactures components for the motor, aerospace, and defence industries and has reported losses for the past three years.

The name change comes after cuts in orders from large customers in the aerospace and defence sectors and a round of redundancies as the company has moved to cut costs.

In a letter to shareholders, Mr Tony Loades, chairman, said that the new name would be used to help promote the company. He said the original name "implies a limited range of activities and can give an understated impression of our capabilities".

In the year to September 1993, the group incurred pre-tax losses of £1.38m on turnover of £12.3m.

COMPANY NEWS: UK

East Midlands warms shareholders

David Lascelles on why the rec announced a special dividend and share consolidation

Only six months ago East Midlands Electricity was in a state of shock. Its chairman had left, it had written off £130m of losses, and it was forced to adopt less ambitious strategies. But yesterday, the Nottingham-based company was able to regale its 250,000 shareholders with an early £186m Christmas present.

There could be no clearer sign of the basic strength of the UK electricity distribution business now that the uncertainties of the recent price review are out of the way. But rather than follow other regional electricity companies and pass surplus cash back to shareholders through a share buy-back, East Midlands yesterday broke new ground by paying a special interim dividend.

"This opens up a new front," said Mr Nigel Hawkins, utilities analyst at Hoare Govett.

According to Mr Nigel Rudd, chairman, the dividend is fairer than a buy-back because it enables small shareholders to benefit through a general distribution of cash.

In a buy-back, only a limited number of shares are acquired, and these usually belong to the big institutions who can muscle their way to the front of the queue.

In East Midlands' case, many of its 250,000 shareholders have small numbers of shares bought at the time of privatisation. The average holding is 200 shares, which means that the typical investor will receive a cheque for £170. Many small shareholders are also employees, who may become more motivated if they can share directly in the company's fortunes.

The pay-out, however, is only half the equation. East Midlands also announced yesterday that it was consolidating its shares on a 22-for-25 basis, which will reduce the numbers of shares outstanding by about an eighth. This is to offset the impact of the 85p dividend on the share price. Technically, the shares should remain unchanged as a result of the exercise.

However, East Midlands will become more highly geared through the pay-out because it will treat the £186m as if it were borrowed money. The gearing of the balance sheet will rise from about zero to about 20 per cent, and in the long run, this should enhance the company's earnings by a few pence per share because the assets are made to work harder.

The consolidation will also benefit East Midlands employees who are saving up to buy shares in a Sharesave scheme. Although they are not yet owners of these shares, they have options to buy them at a preset price, and the consolidation will ensure that they share in the upside of yesterday's proposed transactions.

East Midlands' move also has to be seen in a wider context. If there was a surprise about yesterday's announcement it was that it came while there is still uncertainty about the regional electricity companies' plans to sell off the jointly owned National Grid company, which could be worth up to £5bn.

Mr Norman Askew, East Midlands' chief executive, declined to comment on sell-off plans yesterday, but he said the special dividend indicated that his company, which owns 8.4 per cent of the Grid, was keen to pass benefits on to shareholders rather than sit on them or use them for acquisition purposes.

The regional companies may also be worried that the controversy over soaring electricity profits and bonuses will trigger some kind of windfall profits tax in next month's Budget. By acting now, they can cushion any blow. Also, the less cash they have on their balance sheets, the less attractive they are as takeover candidates.

Tony Andrews
Norman Askew (left) with Nigel Rudd: a pay-out is fairer to small shareholders than a buy-back

Rheumatoid arthritis drug from Celltech

By Tim Burt

Shares in Celltech rose 5p to 214p yesterday after the biotechnology company claimed it had made a breakthrough in the treatment of rheumatoid arthritis.

The group, which floated last year, said phase two clinical studies using its new anti-arthritis drug – CDP571 – had shown "considerable improvements" in the symptoms suffered by patients.

"The drug has all the anti-inflammatory benefits of steroid treatment with none of the side-effects," said Mr Peter Fellner, chief executive.

If further trials prove successful, the company aims to sell the drug for use in the treatment of up to 1m rheumatoid arthritis sufferers in the UK and US. The treatment would cost "several thousand dollars a year for each patient", Mr Fellner added.

Although a similar drug is being developed by Centocor, the US biotechnology company, Celltech said it could rely on strong patents to protect its product. The patents are held jointly with Bayer, its German marketing and R&D partner.

Singaporeans buy BS stake

By Roland Adburgham, Wales and West Correspondent

Scotts Holdings, the Singapore-based property group, has bought the Kerman family's stake in BS Group, the property and leisure company formerly known as Bristol Scotts.

Its acquisition of 26.97 per cent of the share capital is the culmination of a long and acrimonious attempt by non-family shareholders to oust the Kermans from BS. In August, Mr Anthony Kerman was deposed as chairman and replaced by Sir Ian Rankin.

Mr Kerman, his brother Nicholas and their father Isidore, who has had a large stake in the company since before the second world war, remain directors. But Mr Bryan Burletson, representing Scotts Holdings, said yesterday an agreement of the acquisition was that the Kermans would stand down. He said Scotts would seek board representation.

Sir Ian was not involved in Scotts' negotiations with the Kermans. He previously made it clear he would not welcome a transfer of the entire Kerman stake to Scotts because he sought a wider and institutional shareholding.

Scotts is quoted on the Singapore stock exchange but is controlled by the Jumabhoy family. Mr Burletson, former chairman and chief executive of Clayform Properties, said he was a friend and business partner of the Jumabhoys. For the past two years they had been looking for a UK company in which to invest. "We alighted on BS as an interesting company. It had a very good base from which it could expand rapidly."

Scotts is buying 24.88 per cent of the voting shares and all of the non-voting shares in BS. The consideration is 188p a share or £3.1m. In addition, Mr Burletson said a legal dispute over the ownership of a further 11 per cent of the shares had been settled. Part of these would go to Scotts which, together with other shares it had agreed to buy, would bring its holding to 29.9 per cent.

"We are not interested in making a full bid," Mr Burletson said. "We will bring expertise and funding which can only be of enormous benefit to BS, bearing in mind there has been an internal dispute which has completely stultified the company."

BS returned to the black this year for the first time since 1988, with a pre-tax profit of £429,000 for the six months to June 30.

NEWS IN BRIEF

ALLIED RADIO now holds 81.2 per cent of voting rights of Fortune 1458 following completion of rights issue. Allied, an underwriter of the issue, increased its holding by 229,120 ordinary.

BLP GROUP: Following a review by company and its auditors, appropriation for premium on redemption of convertible preference shares under FRS 4 deemed to be unnecessary and will not be included in full year accounts.

BULLOUGH has acquired Kent-based Direct Refrigeration Services for £950,000 cash.

CAIRN ENERGY Onshore, the wholly owned subsidiary of Cairn Energy, is acquiring Monument Petroleum Mitre's 25 per cent interests in UK onshore production licence PL182 and onshore exploration licence EXL287 for £1.1m, bringing Cairn's interest in them to 100 per cent.

COATS VIYELLA, Britain's largest clothing and textiles company, claimed that its Indian subsidiary had enjoyed a 29 per cent increase in first half profits. The Bombay-based group – Coats Viyella India – reported pre-tax profits of £5.8m on sales ahead 17 per cent at £75m in the six months to September 30.

DONELON TYSON is selling the Manchester-based NWBM Group of builders' merchants to Clearfigure for £608,011 cash. Proceeds will help cut gearing.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
East Midlands ....int	85‡	Nov 24	-	-	22.7
Moss Bros ....int	3	Dec 2	1.5	-	7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Special payment conditional on shareholders' approval.

COMPANY NEWS: UK AND IRELAND

Russian acquisition for Bula

By Jean Marshall

Bula Resources (Holdings), the Dublin-based oil exploration and production company, is proceeding with its acquisition of an option to purchase a 51 per cent interest in Aki-Otyr, a Russian oil joint stock company, from the Russian Corporation, as announced in May.

Bula has undertaken over the past few months an extensive due diligence on Aki-Otyr. The directors said it was the first time a fully listed company had acquired for paper a controlling interest in a Russian joint stock company in the oil sector.

Bula proposes initially to acquire an option over the 51 per cent interest in Aki-Otyr and at the same time to enter into a management agreement to establish western financial controls. It said it would exercise the option once the controls were operating satisfactorily.

The consideration for the option is $5.57m (£3.5m) and the issue of fully paid new ordinary shares representing 8 per cent of Bula's enlarged share capital.

Bula believes a minimum I£6m (£5.9m) will be required to fund the acquisition and provide working capital. Accordingly a placing of not less than I£2m and an offer to shareholders to raise about I£12m is being made.

Following exercise of the option, the Russian Corporation will control 26 per cent of Bula's enlarged capital.

It is proposed that Mr Alexander Marichev and Ms Tatyana Kirillova, president and finance director respectively of the Russian Corporation, and Mr Vladimir Krasilya, president of Aki-Otyr, will join Bula's board.

Bula also announced reduced losses of I£1.95m (I£2.57m), after tax of I£3,000 (I£2,000), for 1993. The result includes an exceptional loss of I£1.34m on disposal of its UK operations, including I£1.19m goodwill previously written off.

Turnover was I£1.29m (I£1.58m) including I£99,000 (I£438,000) from discontinued operations.

Losses per share were cut to 0.29p (0.48p).

Bula's shares resumed trading yesterday at 3½p.

Border and CLT in radio licence link

By Raymond Snoddy

Border Television, one of the smallest of the ITV companies, has teamed up with CLT, the Luxembourg-based international broadcasting group, to acquire radio licences in the UK.

CLT is the main shareholder in Atlantic 252, the pop music station that broadcasts into the UK from Ireland. It recently bought a stake in Country 1035 and also operates 12 radio stations throughout mainland Europe.

The two companies have set up a 50-50 joint venture. Mr Peter Brownlow, finance director of Border, said it was exciting that "a tiny minnow like Border has managed to reach this agreement with CLT".

Over the past four years Border, which is too small to play in the ITV takeover battles, has been gradually building up radio expertise with small stakes in local stations. However, it was recently involved in two of five new large regional stations which went on the air last month.

Border, whose chairman is Mr Melvyn Bragg, the writer and broadcaster, owns Century Radio, the new commercial broadcaster in north-east England. It is also a partner with Grampian Television in Scot FM, the new regional broadcaster for central Scotland.

A new company, called Investors in Radio, will be headed by Mr Ron Coles, former managing director of Midland Radio.

The plan is to apply for new radio licences and possibly even acquire existing ones.

Tourists lose their taste for Pollards Cornish ice cream

By Tim Burt

One of Britain's last independent manufacturers of Cornish ice cream, the traditional seaside treat, has gone into receivership, blaming tourists' lack of appetite.

Pollards Cornish Ice Cream has been churning out the high fat product – estimated calories 100 per cone – for more than 50 years, but it called in KPMG Peat Marwick after seeing demand melt away.

"It's not been a good ice cream year despite the hot summer weather," according to one of the directors at the St Blazey plant in Cornwall. "Tourist numbers in the south-west have fallen and they're spending less."

The failure of the company, which produced 150,000 litres of ice cream a week in the peak summer season, follows a shake-out across the industry.

Mr Geoffrey Molloy, chairman of the Ice Cream Federation, said: "It's a very difficult business. Manufacturers with limited resources will find it difficult to survive because it is so weather-dependent, and the best of the summer came before the school holidays."

The federation, representing companies supplying 80 per cent of the market, warned that unless Pollards can be sold as a going concern, there would be only one large ice cream manufacturer left in Cornwall – Jeffrey's, the Allied Foods subsidiary.

The St Blazey company is no stranger to financial upset. Pollards Confections, its former parent, went into liquidation last year with borrowings of £1.6m. Mr Trevor Pollard, a former director of the family business, blamed its collapse on lenders who encouraged it to over-expand ahead of a possible stock market flotation.

"We sold the ice cream business to a management buy-out team, but they have obviously had a difficult time. It's a very sorry state of affairs," he said.

NEWS DIGEST

EFG dips but seeks acquisitions

EFG, the Oxford-based garden centre and horticultural products group, saw pre-tax profits decline to £615,000 in the six months to July 31, against £804,000.

The fall, struck despite a turnround to interest receivable of £56,000 (payable £148,000), came on turnover of £6.49m (£10m). Stripping out discontinued activities, turnover showed an increase, the company said.

Mr Robin Garland, chief executive, said that the main operations had remained profitable in difficult market conditions. "Strong cash flow and proceeds from our rationalisation programme have considerably improved the cash position and further strengthened the balance sheet."

Earnings per share, on capital increased by last year's rights issue, dropped from 3.02p to 1.31p.

Christian Salvesen

Christian Salvesen, the international business services group, has expanded its European distribution network with the £3.7m purchase of a temperature controlled distribution centre at Nijkerk, near Utrecht in the Netherlands.

The facility, which employs 15 people and currently has Unilever as its main customer, will form part of Salvesen's network of 26 multi-user depots throughout France, Belgium, Germany and the Netherlands.

ED&F Man

ED&F Man Group, the agricultural products and financial services company which came to the market earlier this month, has redeemed all its 1.6m cumulative convertible restricted voting preference shares of $1 each, and all its 90,000 non-voting cumulative non-convertible preference shares of $1 each.

The aggregate amount paid on redemption was $57.3m (£36.2m), including $1.4m accrued preference dividends.

Cullen's

Cost controls and sales growth at its Neighbourhood Food Stores were behind a further recovery at Cullen's Holdings, the convenience retailer.

On turnover of £3.74m (£2.37m), profits before tax for the six months to August 28 improved to £114,000 (£18,000).

Mr Robert Rayne, chairman, said a changed product range and increased promotional activities helped sales in the Neighbourhood stores rise by some 5 per cent, more than offsetting a small reduction in gross margins. Future growth would be concentrated on opening new outlets, he added.

Net cash inflow from operating activities amounted to £613,000; gearing had dropped to just under 16 per cent at the period-end.

Earnings per share emerged at 0.53p (0.07p).

I&S Enterprise

Ivory & Sime Enterprise Capital had a fully diluted net asset value per share of 116.7p at September 30, an increase of 15 per cent over 12 months.

The NatWest Venture Capital Trust NAV Index rose by an estimated 11 per cent during the period and the FT-SE-A All-Share Index was up by less than 1 per cent.

The trust, which aims to provide capital growth through venture capital opportunities, reported a net loss of £145,000. Losses per share came out at 1.32p.

Abacus

Abacus, the electronic components distributor, has acquired a 75 per cent stake in Promax, which distributes Philips' products in Denmark and Sweden.

The purchase price is DKr23.6m (£2.5m), satisfied by the proceeds of a placing of 1.58m new ordinary shares at 158p. In the event that not all the shares are placed, the shortfall will be paid in cash.

In addition, a further 1.39m new shares have been conditionally placed at 158p to raise about £2.1m net of expenses to provide additional working capital for Promax.

Of the extra money raised, some £700,000 will be used to acquire the freehold premises in Jutland which the company occupies.

Promax made pre-tax profits of DKr5.5m on turnover of DKr151m in 1993, and in the six months to June 30 achieved a profit of DKr3.9m on turnover of DKr86.8m. Net assets at that date amounted to some DKr8.6m.

Sanderson Elect

Sanderson Electronics, the computer software and hardware company, is set to double its sales with the acquisition of a controlling interest in SGA Pacific from General Automation.

It is paying £3.42m for a 51 per cent stake which will take its total holding to 78 per cent, or 72 per cent fully diluted. The deal will result in Sanderson's turnover rising to £55m. In the six months to March 31 turnover was £14.2m.

The consideration is being satisfied by $1m (£600,000) cash, $1m loan notes and the transfer of 4.1m of GAI's shares.

SGA supplies computer software and hardware in Australia, New Zealand, Singapore and Hong Kong.

Powell Duffryn

Powell Duffryn has expanded its fuel distribution interests with the purchase of MB Gas, the UK downstream LPG distribution arm of Elf Antargaz of France.

The price was not disclosed, but Powell said there had been no payment in respect of goodwill. Net assets at completion were £5m. MB Gas has annual sales of £4.5m.

Sphere/Dartmoor

Dartmoor Investment Trust's share offer for Sphere Investment Trust has been declared unconditional as to acceptances and remains open.

Dartmoor has received valid acceptances in respect of 55.5m Sphere shares, representing approximately 45.8 per cent of the issued capital. Dartmoor's already controls 8.5m shares, a stake of 7.01 per cent.

Newman Tonks

Newman Tonks Group, the architectural hardware manufacturer, has made two acquisitions for up to about £4.5m.

It has paid an initial DKr29.5m (£3.1m) for Randi Fabrikerne, a Denmark-based producer of mainly stainless steel hardware sold under the Randi-Line brand name. A further sum not exceeding DKr4.2m may be payable based on net asset value.

For the year to June 30, Randi, owned by HSH Holdings, made profits of DKr4m before interest.

The second acquisition is of Yannedis, a specialist architectural hardware distributor, for about net asset value of £1m. It will trade as a separate company within Newman's specification and distribution sub group.

Century Inns

Century Inns, the independent pub operator, is to buy the 15 outlets of Legendary Yorkshire Heroes, a Tyneside pub chain, in a deal worth more than £2m.

The deal, to be finalised within the next month, will increase Century's estate to 316 houses in north-east England, Yorkshire, Humberside and Lincolnshire. LYH bought the pubs it is now selling from Scottish & Newcastle following the government's beer orders.

The management of Century, founded in 1991 by former Camerons executives, has a strategy of building up to between 400 and 500 outlets. It also has flotation ambitions.

COMPANY NEWS IN BRIEF

BZW COMMODITIES Trust announced that applications in its placing and offer for subscription had been received for 78.2m ordinary shares at 100p apiece, with warrants attached on a 1-for-5 basis. Dealings are expected to begin on Thursday.

CLAYHITHE: Offer for minority of Horstmann accepted in respect of 669,315 shares, representing 96.32 per cent of minority interests. Offer declared unconditional in all respects.

EMBASSY PROPERTY Group said talks resulting from the approach on September 16 by John I Jacobs regarding a possible offer were continuing. Further announcement will be made as soon as possible.

ENVIRONMENTAL INVESTMENT Company had a net asset value per share of $10.24 (640p) at June 30 against $10.65 at December 31. Net losses for the half year were $1.2m ($2.21m profits), equivalent to losses per share of 30.12 cents (55.23 cents earnings).

GARTMORE BRITISH Income & Growth Trust: Net asset value per geared income share was 78p at September 30, against 94.9p at March 17 when the shares were listed. Earnings per share for period 4.59p; second interim dividend of 1.82p makes 3.64p to date

IRISH PERMANENT: placing and offer of 30.8m ordinary shares at 180p attracted a total of 24,493 valid applications for 39.7m shares, representing £71.5m. The offer to qualifying persons was subscribed 2.8 times.

JERMYN INVESTMENT: Rights issue accepted in respect of 2.4m new shares (30.01 per cent of issue). Balance taken up by sub-underwriters.

LABYRINTH GROUP has raised £1m by way of convertible secured loan stock to finance existing business and the working capital component of acquisitions. The loan stock is eligible for conversion into ordinary shares at a premium to the current share price.

NEXUS MEDIA Communications has acquired the various publications of Making Music for an undisclosed sum.

PLANTSBROOK GROUP: SCI UK has acquired or received acceptances for 98m Plantsbrook ordinary shares, representing about 97.9 per cent of the issued ordinary capital. It has also acquired or received acceptances for 15.4m convertible shares, representing about 99.2 per cent of Plantsbrook's convertible share capital.

SECOND CONSOLIDATED Trust is making a capital repayment of £6.8m, equivalent to 20p a share, to take place on October 31. So far this year the trust has repaid £33.8m, or 99p a share. Further distributions will be dependent on future realisations.

SHIRES HIGH-YIELDING Smaller Companies Trust: Fully diluted net asset value 143.4p per share at September 30, down from 155.6p at end-December. Earnings per share, fully diluted, for nine months to end-September were 4.31p (4.05p) and third interim dividend 1.2p (1.1p) making 3.6p to date.

UNICHEM: Recent rights issue received acceptances for 20.8m shares, representing 85.27 per cent of issue.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 25.10.94: Pool purchase price £/MWh	Final Prices for Trading on 27.09.94: Pool purchase price £/MWh	Final Prices for Trading on 27.09.94: Pool selling price £/MWh
0030	10.04	9.60	9.60
0100	25.69	9.64	9.64
0130	25.69	9.60	9.60
0200	25.69	9.68	9.68
0230	25.69	9.68	9.68
0300	25.69	9.68	9.68
0330	25.69	9.67	9.67
0400	22.14	9.60	9.60
0430	19.96	9.60	9.60
0500	10.04	9.60	9.60
0530	9.21	9.66	9.66
0600	9.21	9.67	9.67
0630	10.04	9.68	9.68
0700	22.65	18.58	19.41
0730	22.80	16.54	19.36
0800	22.90	17.98	20.79
0830	23.03	17.56	20.47
0900	29.37	17.69	20.44
0930	29.46	18.00	20.85
1000	29.51	18.01	20.87
1030	29.49	18.04	20.90
1100	29.46	18.09	20.97
1130	29.49	26.02	28.93
1200	33.61	30.54	33.47
1230	33.60	30.51	33.43
1300	29.46	30.41	33.30
1330	29.37	18.01	20.86
1400	28.24	17.11	19.95
1430	28.23	17.00	19.84
1500	28.26	17.09	19.84
1530	28.33	17.01	19.85
1600	36.98	18.02	20.88
1630	38.37	17.30	20.21
1700	62.18	22.12	25.06
1730	116.08	22.08	25.00
1800	123.03	21.84	24.82
1830	93.44	21.83	24.68
1900	61.80	11.91	11.91
1930	49.65	38.26	39.19
2000	37.48	38.27	39.19
2030	32.90	38.11	38.98
2100	28.18	20.57	23.41
2130	26.82	19.51	22.34
2200	24.57	16.87	19.79
2230	23.00	16.31	19.13
2300	22.80	16.53	19.36
2330	22.65	14.69	17.72
2400	10.03	10.40	10.40

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 6.15pm Monday to Friday.

FINANCIAL TIMES SURVEY

ITALIAN INDUSTRY AND TECHNOLOGY

Tuesday October 25 1994

There is a remarkable contradiction between the strength of the 'real' economy and the difficulties caused by political instability, writes **Robert Graham**

Dynamism versus deadweight

Italian cartoonists invariably have the sharpest eye for summing up what is going on.

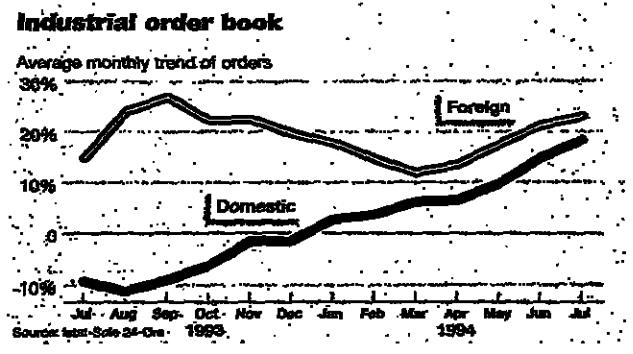
A recent newspaper cartoon depicted a businessman scratching his head. Behind him a smoking factory, humanised with face, arms and legs, is running at full speed. The man comments: "If everything is going so well, why is everything going so badly?"

This pinpoints a remarkable apparent contradiction between the strength of the "real" economy and the continuing difficulties caused by political instability and the weakness of Italy's public finances: the dynamism, on the one hand, of private initiative and the resilience of the thousands of small companies that are the lifeblood of Italian industry – and, on the other, the continued deadweight of the public sector and the burden of debt that has reached 125 per cent of gross domestic product.

The industrial recovery is now well under way after three bleak years. Order books are swelling, utilisation of capacity is increasing, energy consumption is up and profits are returning. The big private industrial groups such as Fiat and Pirelli, which have gone through painful and costly restructuring programmes, are signalling that the worst is over.

"The recovery is very strong and everywhere one goes there is a tremendous sense of confidence among industrialists," says Mr Stefano Miscossi, head of research at Confindustria, the industrialists' association. He is shortly to take over the directorate of industry in the Brussels Commission.

Industrial order book



The converse of this picture is the serious weakness of the Berlusconi government and the high interest rates which are needed to attract buyers of Italian debt. Industrialists thus lack a stable political and financial environment in which to plan investments.

Despite these negative considerations, Confindustria is convinced that official GDP growth projections of 2.7 per cent in 1995 are too conservative. Figures released earlier this month showed that the economy had grown 2.3 per cent during the second quarter compared with the same period last year.

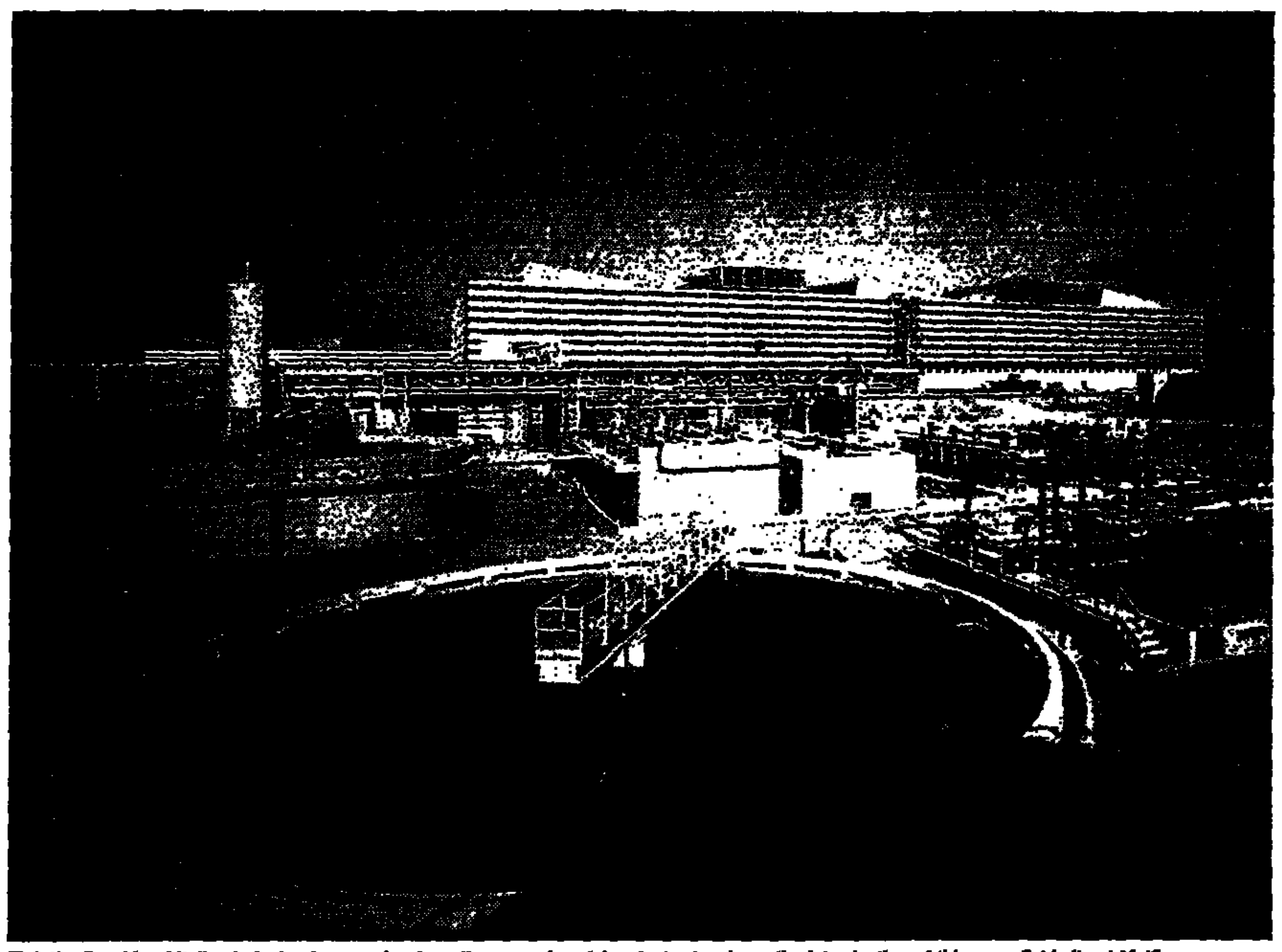
Industrial activity in the period to the end of July had registered 12 consecutive months of growth. It is up 6.4 per cent on July 1993. Order books initially lagged behind the growth in production but have begun to pick up more quickly. Industrial orders increased almost 16 per cent in the 12 months ending July this year.

Export orders have provided the drive behind the growth in production. The export element in industrial turnover was up 12 per cent in the year to the end of July, compared with 4.2 per cent in the case of the domestic market. And although exports were undoubtedly given a big boost by the September 1992 devaluation of the lira, the exchange rate is by no means the sole explanation for the extraordinary success of Italian exports over the past two years.

In this context, it is significant that Italian exports have increased at more than twice the rate of Britain's even though both countries devalued at the same time and by a similar amount.

Those who gained most from the devaluation have been large-scale industries such as chemicals and steel, as well as the vehicle industry. But in general, the commerce ministry claims that Italian companies are winning orders because they have pruned their production costs and raised productivity through shedding labour and by investment in new plant.

Since 1992, wages have been rising more slowly than inflation and last year in large industrial groups the rise was less than 2 per cent – half the rate of inflation.



Fiat, the flagship of Italian industry, is emerging from the recession. A key factor has been the introduction of this greenfield site at Melfi

Just as importantly in ensuring costs are competitive, Italian companies are providing quality products with good customer service. This has been especially true in the highly competitive emerging market of China where Italian machine tools and engineering products have done well against tough competition. More generally, Italian companies have benefited from the strength of emerging economies in Asia and Latin America. Here too, traditional industries such as shoe-making, textiles, clothing and leather goods have done well.

Without their exports, the clothing and leather goods industries would have fared far more badly in the domestic recession. Indeed, there have been cases of factories switching their export orientation from 40 per cent to 80 per cent of total production. However, the balance is beginning to be redressed.

In the 12 months to July, domestic orders increased by 17.6 per cent and stronger domestic demand is clearly in evidence both for capital goods and consumer items.

There are still considerable variations within individual sectors. The vehicle industry has picked up strongly, thanks in good measure to an enthusiastic response to Fiat's new Punto saloon produced at the greenfield Melfi plant in southern Italy. At the weaker end is the foodstuffs industry which remains stagnant, reflecting a combination of intense competition and cutbacks in domestic household spending.

The construction sector is in worst shape. As a result of the recession and the effects of corruption scandals, the construction business and the market for construction equipment and materials has been deeply depressed. Construction activity fell by almost one third in 1993.

The Berlusconi government revoked a freeze on public works contracts, imposed in late 1992 to prevent bribes, pending the framing of new tendering rules. The effects of the new government's move should begin to be felt in the final quarter.

The problem areas of industry now tend to be those where the state still continues to play an important role – chemicals, defence industries, mining, steel and ship-building. ENI, the state oil concern, has being carrying out a costly restructuring of its chemicals and fertiliser operations. The main financial cost is over but rationalisation of some plant in the south still has to be carried out.

Defence industries, badly affected by three years of reduced sales and high costs, look likely to be a big casualty of cuts in the 1995 budget. As much as L1,000bn has been taken out of planned spending and 1995 investments will be L3,100bn against L3,340bn this year. This cutback could affect the merger between the defence interests of Efim, the state holding in liquidation, and Finmeccanica, the state-run defence and high-technology group.

Finmeccanica agreed to take on the defence side of Efim, provided the government guaranteed orders from the armed services to sustain production lines. At the same time Fincantieri, the ship-building subsidiary of IRI, the state holding company, could lose one of its two remaining naval shipyards as a result of the cuts.

In the case of steel, the saga of the break-up of Ilva, the state steel company, is not fully resolved. Although the government is committed to complete privatisation of Ilva by the end of the year, the fate of the huge flat products factory in Taranto is not clear. Nor is it certain that Italy will comply with European Union agreements on cuts in overall steel production capacity, especially as demand is picking up.

The Berlusconi government is committed to continue the retreat of the state from its dominant economic role. But the process is extremely complex and politically sensitive since the state apparatus has long been a source of patronage and jobs, especially in the south.

The termination of state subsidies to industry has forced the pace of the privatisation process but IRI, the giant state holding company which still controls more than 3 per cent of GDP, has yet to define its future role. It could wind itself up as its assets are divested. Alternatively, it could become the instrument of continued state influence through minority ownership and "golden share" control.

Some members of the government want to see the state retain a strong presence in areas of high technology and strategic interest. The majority are wary of foreign penetration in such sectors as telecoms and energy. These considerations will play an important part in the forthcoming privatisation of Stet (telecoms), ENI and Enel, the electricity authority.

LESSONS FROM THE RECESSION

Restructuring and innovation

Half-year results from Italy's industrial giants provided the first clear signals of a recovery, writes **Andrew Hill**

The first six months of 1994 certainly marked a political turning point for Italy, but they were also significant for Italy's big industrial companies. After two to three years struggling against a global recession, a costly and inflexible labour market, an overvalued currency and, in certain cases, endemic corruption, Italian industry is returning to profit.

The recent crop of half-year results from Italy's industrial giants provided the first clear signals of a recovery, as already hinted by official statistics and trumpeted by the new, ostensibly pro-business government of Mr Silvio Berlusconi.

Montedison, the energy, chemical and agro-industrial company which perhaps more than any other enterprise has symbolised the recent trend in Italian industry, was the first of the large quoted companies to report half-year results. The group, brought to its knees last year by alleged mismanagement and corruption, returned to pre-tax profits for the first time since 1991. Its parent, Ferruzzi Finanziaria (Ferfin), also reported a return to the black.

Another symbol, Fiat, the industrial and automotive group, revealed a profit before tax of L727bn for the first six months, compared with interim losses in the equivalent period of L982bn before tax; the first sign of the scale of the convulsion which the automotive market was suffering. Mr Gianni Agnelli forecast that the group's record losses of 1993 could be converted into a gross consolidated profit for 1994 of as much as $1bn.

Pirelli, the cables and tyres group, also returned to the black in the first half, and although Olivetti, the computer manufacturer, disappointed investors with extraordinary losses on its investment portfolio, it cut its first-half operating loss to only L6.2bn and said it was still on course to break even at operating level for the full year, after three years in the red.

The large industrial companies have finally begun to benefit from the momentous changes in their operating environment instituted over the past two years.

In particular, the September 1992 devaluation of the lira and the loosening of a rigid labour market have begun to have an impact on group results. Protected by a weak currency, Fiat, for example, managed to increase its exports and push up its share of the depressed Italian market by 1.3 percentage points to 46 per cent in the first half. Marzotto, Italy's largest textile manufacturer which makes 62 per cent of its sales outside its home market, forecast a "considerable increase" in full-year profits as it finally began to benefit from the devaluation.

Most entrepreneurs believe the lira is now slightly undervalued, but they dismiss accusations that for the past two years they have been operating at an unfair advantage compared with European and international competitors.

Mr Gian Carlo Vaccari, chief executive of Sasib, the railway equipment and machinery manufacturer which is part of Mr Carlo De Benedetti's Cir group, says: "In the 1980s we had to operate with a loss of competitivity – fixed exchange rates and an increasing cost of labour. Now the lira has returned to its true value."

But it would be wrong to assume that Italian industry has waited passively for a change in the economic environment. Analysts agree that most large Italian companies have worked hard to cut costs and restructure.

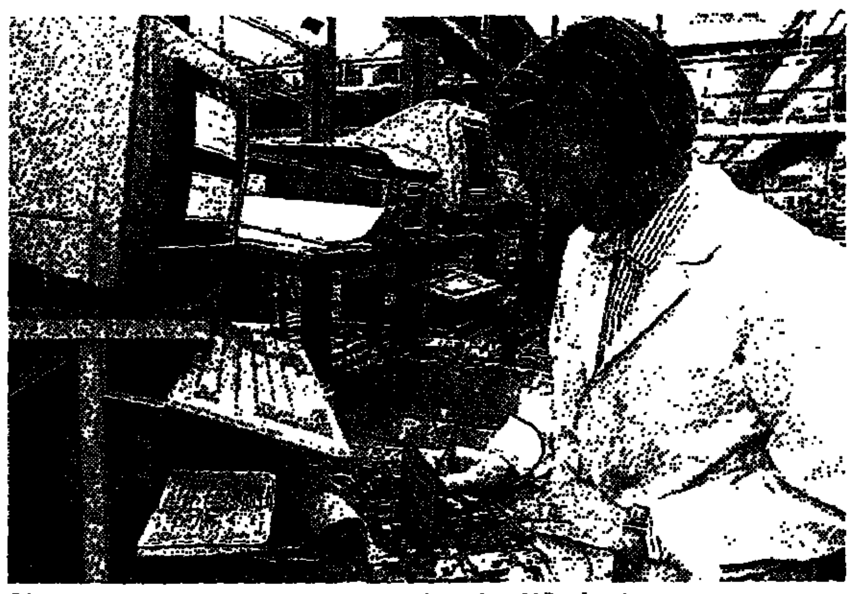
Olivetti, for example, which has had to cope with the special pressures on the world computer market, had some 59,000 employees in 1989, and expects to have reduced this number to 33,000 by the middle of next year. That is a net decrease, but the company has also taken on staff from outside to introduce new blood into the group as it seeks to manoeuvre itself into the related areas of multimedia and telecommunications.

Fiat has cut staff from 300,000 in 1990, to 260,000 in 1993; Pirelli from 50,000 to 40,000 in the past two years.

All three companies have also attacked costs, and pursued innovation. Analysts were impressed by Olivetti's claim at the half-year stage to have reduced sales, general and administrative costs from 28 per cent in 1992, to 20.5 per cent. The target is to reach 18 per cent in 1995.

Fiat, meanwhile, is "outsourcing" some of its automotive business and has just decided to merge Magneti Marelli and Gilardini, its two automotive components subsidiaries, as rationalisation continues.

Fiat Auto, the main subsidiary, is half way through the programme of renewing its range, beginning last year with the successful Fiat Punto.


Olivetti expects to have cut its workforce to 33,000 by the middle of next year *Picture: Trevor Humphries*

Pirelli is laying the emphasis on new cables, using high technology fibre optics, for the multimedia market, and has increased the pace of new product development in both the cable and tyre divisions.

Ferruzzi-Montedison's restructuring has been more hectic, as it has picked itself up following last year's near-collapse. In his letter to shareholders earlier this year, Mr Guido Rossi, chairman of both Ferfin and Montedison, described the rescue plan instituted with the co-operation of the banks as "the largest out-of-court financial restructuring in history, in terms of the scale of the indebtedness rescheduled, its geographic dimensions and the number of parties involved".

But even under pressure, Montedison has managed to raise L1,100bn since last year by selling off non-core businesses while Ferfin has cut its debt in the first half by nearly 30 per cent.

It has not been an easy task: the Ferruzzi-Montedison structure contains some 1,800 different companies, many dormant investment vehicles set up by the now discredited previous management which must be ditched or wound up.

It would be unwise, however, to overstate the strength of Italian industry, and particularly the big companies, at this early stage in the recovery.

Restructuring of Italy's public sector, through privatisation, has slowed down under the Berlusconi government, particularly in industrial sectors such as telecoms (Stet), energy and chemicals (Eni), and electricity (Enel).

This is not only a disappointment to analysts, but could prove a handicap if these companies want to take advantage of the improved climate to make international alliances.

And once they have shaken off recession, rinsed out the bad taste left by corruption, and completed the process of restructuring, international competition is still intense for Italian companies already in the private sector. They are not the only industrial companies to have undergone substantial restructuring during the downturn. In addition, they are still underweight compared with companies from other similar sized and even smaller economies.

Generali, the Italian insurer, is the only Italian group to make it into the list of the world's 100 largest public companies.

This need not matter for the overall Italian economy, which draws strength from the performance of its small and medium-sized enterprises, often family-owned, but it must worry the bigger Italian players.

It would be better to conclude, then, with a note of caution struck by the director-general of Fiat, Mr Giorgio Garuzzo. Asked if there was a risk of complacency setting in at Fiat as the economic situation improved, he replied: "I think we're still a long way away from that."

Robert Graham examines labour relations

Pragmatism may prevail

The Italian trades union movement finds itself increasingly in the role of chief opponent of the Berlusconi government's economic and financial policy.

The general strike called on October 14 to protest against cuts in pensions and the general content of the 1995 budget, could mark a turning point in relations between the government and the unions. Unless the trades union leadership sees the government willing to make some concessions on pensions and health service cuts, street protest is likely to continue.

There could be a spill-over effect on relations between the unions and the employers. This then risks undermining one of the most remarkable achievements of recent years – the July 1993 tripartite agreement between the government, unions and employers that ended wage indexation (the pernicious *scala mobile*) and linked wage rises to productivity.

Pragmatism may well prevail; but such a scenario is disturbing industrialists who had hoped to be able to rely on stable industrial relations as a central building block of the economic recovery.

Since 1992, the level of industrial unrest has been decreasing. The three main trades union confederations have preferred negotiation to confrontation. The number of hours lost through strikes in the first half of this year was a 25-year low.

In part this reflects a decline in the influence of the unions and lower membership. Perhaps more importantly the traditional bastions of trades union power – the workforce in the big engineering-manufacturing groups – have been weakened by job losses in the industrial restructuring of the past five years.

The government is committed to stimulate spending on research and development

As a consequence, job security has been put before pay rises, or even work conditions, as the unions recognise that some of the privileges they have acquired over the years will have to go. It was significant that the engineering workers broke with their confrontational tradition and agreed to renew their national contract in July without even a token protest strike.

The wage element has been the simplest aspect of negotiations in the past two years. Since 1992, wages have declined in real terms. Last year, wages on average rose 3 per cent, a good percentage point below inflation (with public sector pay rising marginally behind the private sector). This year, there has been no suggestion that wage levels will be able to recover lost earning power. Indeed, with inflation slightly higher than projected in the official figures, the decline in real earnings will continue.

The huge improvement in the climate of industrial relations, at least until this autumn, has undoubtedly been helped by the 1993 tripartite agreement. The agreement ended the old system whereby wages in the private sector were based upon three elements – an agreed industry-wide rate, specific company related payments and an indexation payment. Now, nominal wages are renegotiated every two years within a four-year nationwide framework. The increases in pay cannot exceed projected inflation, while company payments above the norm must be linked to productivity.

Beyond this, the government is committed to stimulate spending on research and development, improve job training and address the problems of industry in depressed areas. In conjunction, the unions accepted that further reforms were necessary in the labour market, including the need to tackle the issue of temporary employment.

The unions feel they have played their part in terms of job sacrifices and wage restraint. They are now awaiting the government to deliver on its part of the bargain. However, they suspect the government is far more interested in first securing a greater liberalisation of the labour market – as are the employers.

The Berlusconi government made the first, albeit timid, steps to liberalise the labour market in July. The measures introduce the principle of temporary employment but then circumscribe it with a series of rules. For example, employers can only resort to temporary work contracts where jobs are being added to the company payroll – but not in substitution of existing jobs or where jobs have already been shed.

Companies are also limited in the number of temporary employees. At the same time, temporary employment cannot last longer than 12 months. As a corollary, companies were also given tax breaks for hiring either long-time unemployed or new job-seekers.

This falls short of an easy hire-and-fire policy, and does not address many of the employers' complaints of the high non-wage cost of employment. Nevertheless, an environment is emerging in which more flexible rules can be applied to employment. As a result, there should be a gradual change in the structure of employment, reducing the unacceptably high levels of youth unemployment and the high degree of exclusion of women from formal jobs. Female unemployment at 17 per cent is almost double the average for males and the gap is even wider in the south.

Another anomaly being eroded is the national minimum wage applied regardless of the differing conditions in the north and south. This has been a big disincentive to investors, reluctant to pay the same wages in the south where productivity has been historically lower and the cost of elements such as housing are well below those in the north.

The north-south wage differential is now being encouraged indirectly by the European Union. Brussels is forcing Italy to stop fiscal rebates on the wage and social security bills of companies operating in the south – breaks which allowed wages to be roughly the same nationwide.

Against this background – with reform of the labour market half complete and wage agreements based on a finely-balanced sense of give-and-take between the government, employers and the unions – it suits neither side to provoke a "hot autumn".

Prato textile industry

Remarkable resilience

Sitting round the table with the leading representatives of the Prato textile industry, one can feel a palpable sense of relief. The worst of the recession is behind.

Prato has come through a long, lean patch, beginning with a brutally enforced structural adjustment of the industry in the mid-1980s, which was then capped by recession – first in the main markets abroad and then at home. The experience has proved the remarkable resilience and adaptability of the 8,500 companies in the Prato area near Florence.

This is the single biggest agglomeration of textile manufacturing facilities in Europe with a turnover close to L6,500bn (including textile machinery). The health of Prato is an important symbol of the way Italy's myriad small and medium-sized companies can cope with fast-changing industrial conditions.

"The secret of our survival and success is above all owed to our enormous flexibility," says Mr Lamberto Cecchi, chairman of the Prato Industrialists Union, the co-ordinating body for the local textile business. "We also rely on the speed of our responses; our closeness to clients; the high degree of specialisation among our own companies, plus our permanent search for innovation," he adds.

Mr Cecchi and his colleagues speak with infectious self-confidence about their ability to face challenges. The business is in their blood with a tradition of cloth production that dates back to the 12th century. But all this does not conceal the traumatic upheavals caused by a combination of increased third country competition and recession in the main markets.

Over the past 15 years employment has fallen by one third, the worst casualties being in the "artisan" sector – very small companies with limited technology and where the workforce is non-unionised. On average, some 550 companies disappeared every year during the 1980s. The sector now employs 42,000 people of whom 33,000 are directly linked to textile production that covers wool, cloth, linen, silks and knitwear.

Perhaps the most encouraging sign is precisely on the employment front. "We think at last that employment has stabilised, and there could even be a slight upswing ahead," says Mr Cecchi.

According to the Industrial Union's research department, the recovery can be traced back to latter part of 1992. In 1993, the value of production grew 11 per cent, while exports increased 20 per cent to L4,100bn. However, only in the past six months has the recovery extended across the board. Exports are up 24 per cent on the same period in 1993.

Prato caters essentially to the fashion business, and mainly at the-ready-to-wear end. This involves ephemeral tastes in fabrics and the constant search for something new, the latest being washed silk. In any one year, Prato companies turn out 70,000 different materials. These are usually small runs in specialised market niches.

"We cannot now compete with countries like China – nor do we try – in producing large quantities of cloth. Our competitive edge comes in our being able to find new combinations of materials, of understanding and anticipating what the fashion designers might want," says Mr Cecchi.

But the real strength of what is often called "the Prato system" is more complex. Within a relatively compact geographical area, a complete integrated industry has grown up in a dynamic but organic way. Thousands of mostly small family companies exist side-by-side, each specialising in one particular activity – whether it be special dyeing facilities, techniques of blending artificial fibres or packaging machinery. Facilities such as industrial water recycling are shared and backed by a sympathetic local council.

Though competing, these companies also exchange ideas and frequently turn to each other to help with orders.

During the difficult years, a few of the medium-sized groups bought up rivals or sought to establish more integrated operations. But integrated operations covering several aspects of textile production are still rare. Takeovers are complicated and the tax legislation remains punitive on mergers.

"In Prato, the companies are people; their energy and their ideas. You risk getting a factory shell if you buy a company... and it wouldn't be easy for an outsider to buy in. The Japanese tried and withdrew perplexed several years ago," observed Mr Roberto Cenni who runs Gomtex, one of the bigger companies in Prato.

Another tendency has been for companies to reduce their operational size. This was motivated both by the need to cut costs and to reduce the hold of the unions over work practices.

A company employing fewer than 15 people, for example, manages to avoid nearly all the tough norms imposed by the Ministry of Labour. Once a company employs more than 25 people, it has to begin recruiting 10 per cent from the handicapped.

According to the latest figures, 47 per cent of all companies employ fewer than 10 people, while a further 40 per cent employ fewer than 50 people. Less than 4 per cent of the textile workforce is employed in companies with more than 100 people on the payroll. And two thirds of Prato companies are still classified as "artisan".

The businesses that have survived have investing heavily in new machinery and R&D. Many factories have been completely re-equipped during the past five years. Roughly 5 per cent of Prato's turnover is devoted to research and development.

Coupled with this upgrading, the Prato producers established closer ties with their markets, ensuring they offered the right kind of product. In the fast-moving ready-to-wear business, product lines are short. This accounts for Prato's enormous flexibility – but it also means that the companies face extra costs in frequently setting up new production lines.

To narrow the gap with customers, Prato has begun to move away from a rigid two-season production for winter and summer – with consequent irregularities in the rhythm of production. Instead, Prato now offers two mid-season ranges which are a refining or a "second edition" of what has already been produced for the start of the winter-summer range.

The manufacturers are concerned that the recovery will push up raw material costs. Already this year, cotton, wool and linen prices have risen almost 15 per cent. In the first six months of the year, a combination of greater demand and higher prices saw the cost of imported raw materials and semi-finished goods increase from L338bn to L653bn.

As companies come to terms with the recovery, they will have to focus more on the problems created by their under-capitalisation. The capital structure of the majority of companies is weak, companies are underfunded and accounting procedures are particularly poor among the smaller businesses.

The other problem worrying the managers is that of labour. Skilled workers with a priceless knowledge stretching back over three decades are beginning to retire and it is hard to find replacements.

Robert Graham

Andrew Hill says the telecoms industry has a difficult task ahead

Structure has been simplified

If Italy's state-controlled telecommunications companies have one advantage over their counterparts in other European countries, it is that their customers love to talk.

That does not just mean Italians make a lot of phone calls from home. They are also Europe's most flamboyant users of mobile telephones – *telefonini* – flaunted everywhere from the tables of the local trattoria to the pillion-seat of scooters.

This phenomenon has brought a smile to the face of executives at Telecom Italia, the state-controlled telephone operator, and its parent Stet in particular, because they are preparing Telecom Italia's mobile telephone operations for a potentially lucrative demerger and flotation before the end of the year.

But despite successful attempts at modernisation over the past decade, Italy's telecoms industry still has a difficult task ahead over the next five years if it is to compete internationally in a fast-changing sector.

Italy will have to meet a deadline of 1998 for the introduction of competition in voice telephony

At least the structure of the Italian telecoms sector has been simplified in the past six months. Until recently, separate state-owned companies, each with a different corporate identity, worked in parallel, sometimes on tasks which overlapped. Earlier this year, however, it was agreed that Italy's five telecoms operating companies, headed by Sip, the domestic telephone operator, should be merged to form Telecom Italia.

Stet now owns some 60 per cent of Telecom Italia together with other holdings in areas such as manufacturing and software, and international joint ventures such as Stream, the multimedia company jointly owned with Bell Atlantic of the US. Stet is itself 65 per cent owned by IRI, the state holding company, and the outstanding shares in Stet and Telecom Italia are traded on the Milan stock exchange.

"We took a great step forward when we agreed on this merger between the five companies," says Mr Umberto Silvestri, chairman of Telecom Italia and former chief executive at Stet, who identifies the change of management culture at the 60-year-old monopoly as one of his main challenges. But there are at least four other important areas in which Stet and Telecom Italia must act quickly:

● Liberalisation. Like rivals in other European Union countries, Italy will have to meet a deadline of 1998 for the introduction of competition in voice telephony. This may prove to be more of a challenge in Italy than elsewhere, because its tariffs are further out of line with the international average than those in other European countries. In particular, international calls from Italy are among the most expensive in Europe and business users are already taking advantage of private call-back services which capitalise on cheaper US rates, for example.

International calls from Italy are among the most expensive in Europe *Picture: Trevor Humphries*

Further rebalancing of tariffs in April has reduced the discrepancies but there is still more work to be done. For example, according to Telecom Italia it now costs more to call Italy from the US than vice versa, but Mr Silvestri still estimates that the price of international calls will have to come down by about a quarter and local tariffs increase by about the same amount.

The role of an independent regulatory authority – yet to be established in Italy – will also be crucial in making sure that Telecom Italia does not abuse its dominant position on the market after liberalisation, particularly as Italy is proving slow to implement existing directives opening up specialised telecoms services to competition. Earlier this month, a Milan court ruled that Sip-Telecom Italia, in line with European Union rules, would have to offer leased lines to Telsystem, a small telecoms services company, a move widely interpreted as opening a crack in the domestic operator's monopoly.

● Investment. Stet and Telecom Italia have both been investing heavily to modernise the much-criticised Italian telephone system. Telecom Italia, for example, invested L9,500bn in 1992 and more than L10,000bn last year. In 1994, that figure will drop to about L9,500bn, and again in the years leading up to 1998, but the overall amount invested over the six years between 1992 and 1998 is still likely to be more than L50,000bn.

Much of that has been spent on bringing the Italian network up to scratch, and adapting it to the likely demand for high technology multimedia services. Telecom Italia is set to spend some L2,000bn in the next three years specifically to ease the growth of a market for, say, video on demand or sophisticated tele-shopping.

At the moment, some 60 per cent of Telecom Italia's investment is financed by debt, and 40 per cent from internal funding. Mr Silvestri hopes that by the end of 1997 that ratio will be reversed.

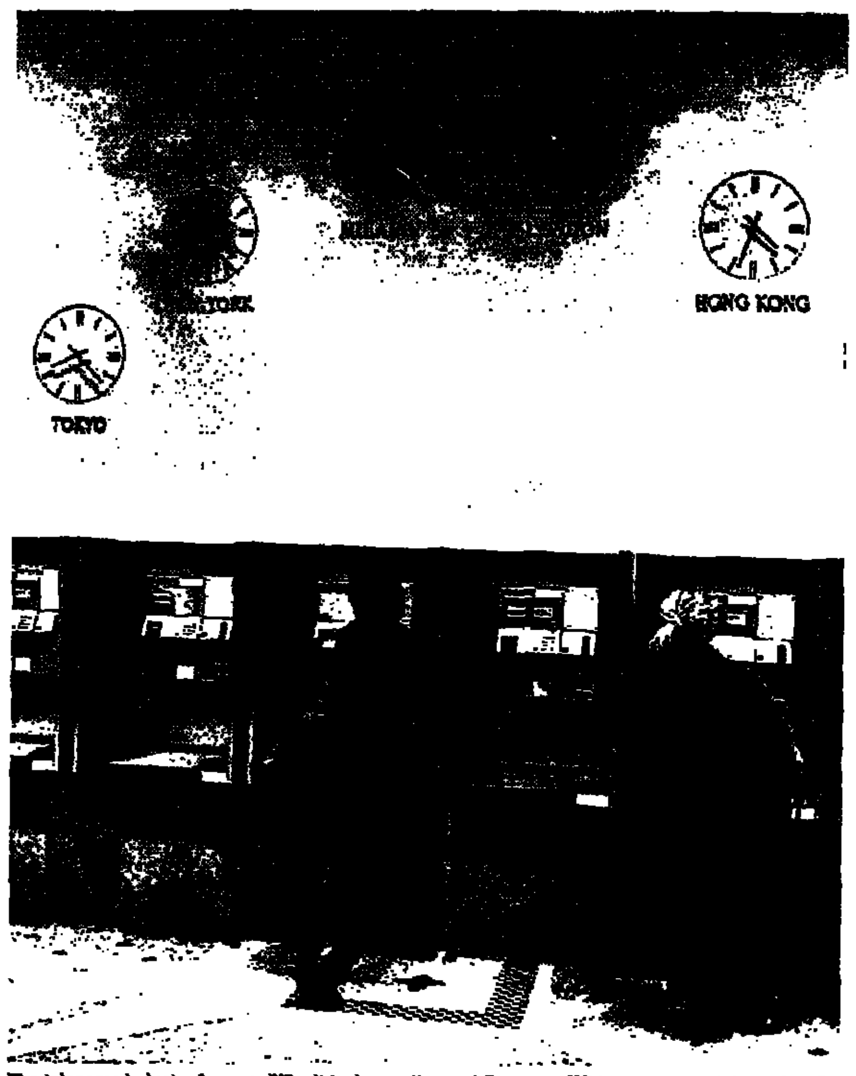
● Privatisation. "The sale of IRI's remaining shares in Stet is now unlikely to take place before the middle of 1995, probably after the flotation of the cellular phone business. Both events are keenly awaited by international investors, and by the telecoms companies themselves, which have been constrained by their inability to raise finance through share issues because of IRI's unwillingness to stump up cash for its rights.

A merger between Stet and Telecom Italia – which would give the Italian telecoms sector an even simpler structure – now seems unlikely for practical reasons, but the sell-off should be eased by the fact that Mr Michele Tedeschi, chairman of IRI since the summer, used to be chief executive of Stet.

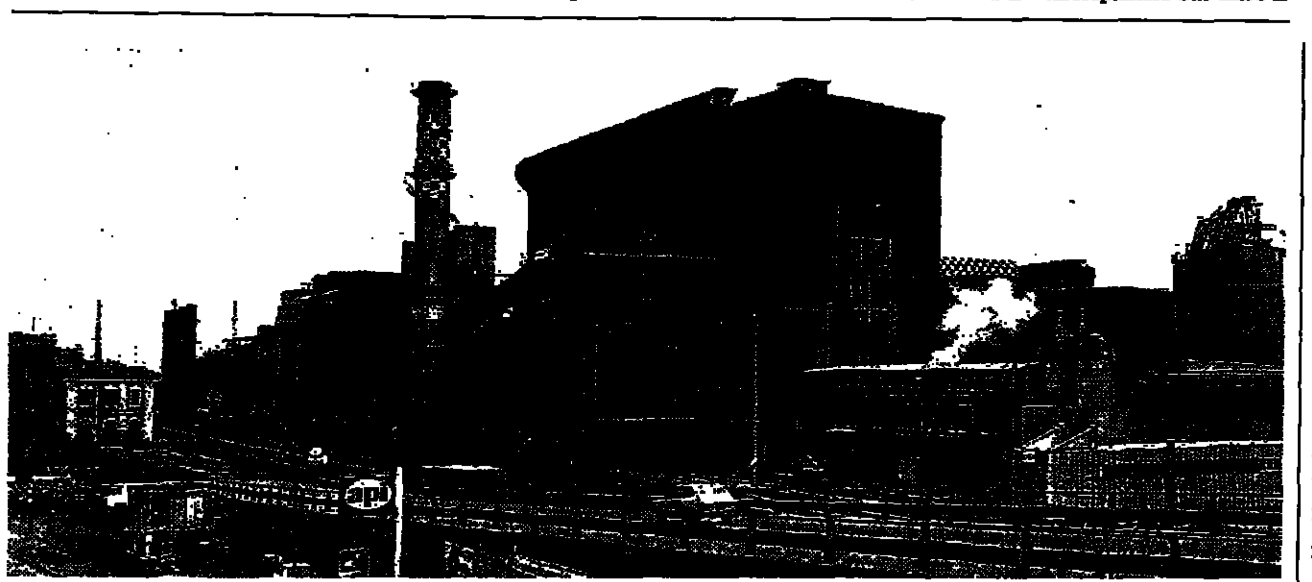
As this survey went to press, IRI was preparing to choose advisers for the Stet sell-off. They will have to decide what sort of mechanism to install to prevent Stet's "strategic importance" being compromised. A "golden share" is likely to be one possibility, or the formation of a hard core of large investors, dominated by Italian companies and institutions.

● International weight. In terms of market value, Telecom Italia and Stet are already the biggest industrial companies listed on the Italian stock market. Following the merger, Telecom Italia can count on a total annual turnover of L2,700bn, and a net profit of at least L1,025bn. It is the sixth-largest telecoms operator in the world, after NTT of Japan, AT&T of the US and the German, French and British national operators. But Italian telecoms executives concede that this is not weighty enough, particularly as most rivals are rapidly forming international alliances.

Telecom Italia is in discussion with "three or four" medium-sized companies in the hope of finding a partner. Without such a deal, Telecom Italia and Stet risk being left behind in the race to be one of the five or six big operators which most analysts believe will dominate the world telecoms market at the beginning of the next century.



The telecoms industry faces a difficult task over the next five years if it is to compete internationally



Further job losses in the industry would only add to the suffering of the past few years of restructuring *Picture: Hugh Routledge*

Andrew Hill reports on the steel industry

Years of painful negotiation

When European Union industry ministers agreed last December on a package of aid and capacity cuts for Europe's subsidised steel companies it looked like years of painful negotiation, in which the Italian authorities had played a leading role, had come to an end.

In Brussels, Italy – and in particular the heavily subsidised state-owned producer, Ilva – had been painted as the villain of the piece, accused of prevarication, stubborn refusal to reduce capacity and, at one point, of having deliberately concealed a blast furnace from European Commission inspectors.

Rival producers warned they would be unable to subscribe to the EU plan to reduce capacity and rescue the whole European industry from a slump in demand, if the Italians did not fall into line.

But Mr Paolo Savona, then Italy's industry minister, managed to win what looked at the time like a surprisingly good deal from his European counterparts. This envisaged a reduction of 2m tonnes in overall steel production in Italy. Under the original calculations, some 1.2m tonnes of capacity would be lost at Ilva's Taranto plant in southern Italy; 500,000 tonnes at plants owned by the eventual buyer of the Taranto flat products division; and a further 300,000 was accounted for by the dismantling of Ilva's Bagnoli plant, a hot rolled steel mill which was already lying dormant.

Strict Commission surveillance was supposed to ensure that the terms of the package were observed. The Commission was particularly pleased with Rome's commitment to privatise Ilva by the end of 1994, meaning that the Ecu2.6bn subsidy allowed under the December agreement would be the last state aid for Ilva. Mr Savona estimated that the break-up and sale of Ilva could raise some L4,100bn for the state.

G William Miller, the US merchant bank, is supposed to be linking up with a consortium of steelmakers and local enterprises in one offer

Part of the privatisation process has already been completed, most notably with the sale of the more attractive special steels division of Ilva – Acciai Speciali Terni (AST) – at the end of June, bought by a German-Italian consortium for L600bn.

But with the December deadline fast approaching the most important part of the Ilva privatisation – the sale of the flat products division, Ilva Laminati Piani (ILP), centred on Taranto – has yet to be carried out.

Mr Vito Gnutti, who has been industry minister since Mr Silvio Berlusconi's government took office in May, is still confident that a sale will be made, but he admits that the pressure is increasing. "It's clear that if there is only one buyer, and he knows we have to sell before December 31, this buyer will hold on until December hoping to put pressure on the seller," he says.

Other observers are even more pessimistic about the prospects for ILP. Mr Hayao Nakamura is the former representative of Nippon Steel in Italy, who took over as chief executive of Ilva in February last year. He inherited an extraordinary range of problems – debt was at the same level as turnover, for example, with interest rates at 13.5 per cent – and believes that the Italian state-owned steel industry was badly treated by Brussels.

"We're closing the Bagnoli hot steel mill – the latest hot steel mill constructed in Europe. From the point of view of rationalisation in Europe we should be closing the older ones, but Italy is closing the newest, which was built at a cost of L1,000bn," points out Mr Nakamura, now an adviser to what remains of Ilva. He adds that Italy is having to import more than 50 per cent of its flat products from Germany and France, two of the countries which pressed hard for Italy to close down capacity.

Mr Nakamura is also sceptical about the feasibility of offers made so far for the ILP division. G William Miller, the US merchant bank, is supposed to be linking up with a consortium of steelmakers and local enterprises in one offer, while Lucchini, the private Italian steel producer, is also said to be interested. Recent reports suggest that Riva, another private producer which was also part of the victorious consortium to buy AST, has come under pressure to join the bidding.

But Mr Nakamura believes there is a risk that these offers will be too low, or based on the future sale of attractive parts of the business, and closure of the rest – an option which would lead to further job losses in some of Italy's most depressed regions. Mr Gnutti says, however, that strict conditions will be imposed on any buyers, preventing them from simply stripping the best ILP assets.

Further job losses in the industry would only add to the suffering of the past few years of restructuring. In 1987, for example, Finsider, the state steelmaker which was Ilva's predecessor, produced a job reduction plan which would cut the workforce from 79,000 to about 55,000 in three years. Subsequently, some jobs have been transferred to the private sector, but Mr Nakamura believes that ILP will have to cut its workforce by a further 10,000 or more to 18,000 before 1996.

There is perhaps even greater concern in Italy's private steel industry, which is also the subject of EU plans for capacity reduction.

In June, the Commission agreed to allow capacity cuts of 5m and 6m tonnes in the so-called "Bresciani" mills in northern Italy, backed by state aid, even though some of the cuts will be achieved through partial closure of plants rather than a complete shutdown as required under a strict interpretation of EU rules. The cuts are considered vital to the success of the EU's plan for overall capacity reductions in the European industry.

The industry federation, Federacciai, has estimated that more than a quarter of the 25,000 jobs in the private sector would be lost as a result of the capacity cuts. More than 80 separate plans for closure have been submitted, and a formal decree has been passed by the Italian government, but the process of capacity reduction has not yet got under way. Mr Gnutti, himself a native of Brescia, is likely to discuss the detail of the plan with fellow EU industry ministers in Brussels next month.

Unfortunately for these fragmented Italian companies, there is no sign of the improvement in demand which has made larger competitors – for example, in Germany – wonder aloud whether there is any longer a need for an EU-wide steel industry rescue plan. Mr Enrico Badiali, director of Federacciai, says demand, particularly among clients in the Italian building sector, has yet to pick up. "There are still problems for those private companies which are committed to closure," he says.

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David Lane reports on privatisations

Rolling back the boundaries of the state

"Privatisation will contribute to creating an economic democracy that is more solid and, above all, free from political abuse," Mr Carlo Azeglio Ciampi wrote at the end of last year in a pamphlet explaining the benefits of selling state assets.

Mr Ciampi, who headed the government between April 1993 and May this year, had been a firm privatisation supporter when governor of the Bank of Italy. "The nature and size of the public sector's presence in the economy need to be changed drastically," he told the central bank's annual meeting in May 1991.

Mr Ciampi noted that the sale of public assets is not simply a means of resolving the problem of debt and debt servicing. He said: "Disposals must relieve the state of the burden of activities that are not its proper concern."

When Mr Ciampi became prime minister, the process of shedding this burden had already been started by Mr Giuliano Amato, his predecessor. A decree issued by Mr Amato's government in July 1992 was the first serious step in rolling back the boundaries of the state, which in Italy had encroached deeply into many areas of the economy.

The highly diversified business empire that Mr Amato's government inherited included ice cream and confectionery making, hotels, bars and supermarkets, as well as machinery manufacture, chemicals, steelmaking, banking and insurance.

Transformation brought the state corporations into line with the form of private sector companies

The decree transformed the large holding corporations, IRI and ENI, the electricity corporation Enel, and the state insurer INA into joint stock corporations, with share capital owned by the Treasury. Transformation brought the state corporations into line with the form of private sector companies.

Under pressure to demonstrate privatising credentials, from financial markets that had watched the lira's enforced exit from the European exchange rate mechanism, Mr Amato did not wait long. Two months after the decree, in mid-September 1992, he announced that the controlling interests of IRI in Credito Italiano and ENI in turbine and pump maker Nuovo Pignone would be sold. Italian privatisation was under way.

Carlo Azeglio Ciampi: firm supporter of privatisation

Since then there have been numerous plans, programmes, administrative and legislative steps, formal opinions and directives dealing with privatisation. Conference organisers have been kept busy. Volumes have been written and spoken.

What results have been achieved since September 1992? On the financial side, the figures show that IRI has received a little over L6,000bn from disposals of shareholdings and ENI about L3,200bn. In addition, the Treasury has received about L7,000bn from sales of shareholdings owned directly.

Although he got privatisation underway, Mr Amato was no longer prime minister when the first important operation was completed. Mr Ciampi's government oversaw the transfer of Credito Italiano from IRI to wider ownership last December. Investor enthusiasm was such that the operation, in which IRI sold its 64 per cent stake of ordinary stock, was more than eight times over-subscribed.

The public offering in Credito Italiano, a bank already enjoying stock market quotation, was quickly followed by the initial public offer of shares in IMI, the Rome banking and financial services group. In this operation, also heavily over-subscribed, the Treasury halved its direct and indirect stake of 59 per cent. IRI's Banca Commerciale Italiana completed last winter's trio of banking privatisations when the state holding corporation sold its 54 per cent interest at the end of February.

This spring brought a pause in privatisation operations of interest to the general public. It was broken by the first privatisation under Silvio Berlusconi's right-wing government, which also made its mark as Italy's biggest privatisation so far. At the end of June, the Treasury sold 53 per cent of wholly-owned INA, thereby raising L4,800bn.

Italian privatisations that have created, or broadened, wide share ownership amount to just four. All are financial institutions and the shares of two were already well-known and traded on the stock market before the share offerings were made. Progress might be described as modest.

Mr Pietro Ciucci, IRI's finance manager, says, however, that the achievement of disposing of large shareholdings in two leading banks in a period of only three months should not be underestimated. "The timetable was tight. There was a lot of scepticism. Only with the benefit of hindsight can we say it was easy," commented Mr Ciucci.

He rejects suggestions that IRI has been slow in privatising its industrial activities. Three trade sale operations have been completed over the past two years. Break-up of the SME food and retailing group has allowed IRI to dispose of two divisions. The Italgel ice cream, frozen food and confectionery business was bought by Nestlé in August 1993 for L437bn and the Cirio Bertolli De Rica canned vegetables and olive oil business was sold two months later for L311bn.

Trade sales have predominated so far in privatisations at the ENI hydrocarbons holding

Mr Ciucci is pleased at the out-turn of SME's break-up. He expects that revenues from the sale of the final division, GS-Autogrill food retailing and motorway catering, will be banked by the end of the year. "The break-up will have allowed IRI to obtain a higher price per share than SME's shares ever reached."

IRI's finance manager also hopes that the sale of the Ilva Laminati Piani steel company will be completed before year-end, thereby registering a second successful withdrawal from steel in six months. The corporation's third industrial trade sale in the past two years was the disposal of Acciai Speciali Terni special steels for L600bn in July.

Trade sales have predominated so far in privatisations at the ENI hydrocarbons holding. The principal operation was the disposal of Nuovo Pignone to the US General Electric for L1,100bn, finalised last December.

ENI has completed about 60 sales in the past two years. Its Enirisorse sub-holding has shed coal activities in the US and South Africa, as well as copper alloy tubes and secondary aluminium businesses in Italy. The Agip oil subsidiary has sold minority stakes in fields in the US and rights in the North Sea, while the downstream Agip Petroli subsidiary has sold liquefied gas distribution activities in Italy and its Argentinian operations.

The Agip hotel-motel chain was an early operation in a deal with the UK's Forte group. In concentrating on its core businesses, ENI has also sold textile machinery makers Matec and Cognetex and a manufacturer of domestic gas heating systems, Caldaie Murali a Gas.

Many of Enichem's chemicals activities have been identified as non-core and sold or put up for sale as a result of corporate restructuring. Businesses making rubber and latex synthetics, additives for plastics and auxiliaries for rubber have been sold. So also has the Isagro agricultural pharmaceuticals and seeds subsidiary, in a management buy-out.

Trade sales do not contribute to stimulating the stock market or broadening the shareholder base, however. Some 2½ years ago Mr Ciampi said: "Privatisation of public sector companies will strengthen the market and spread share ownership among savers and institutional investors." So far, ENI's privatisation operations have done nothing to encourage wider shareholdings.

ENI does, however, control a group of companies that are among Italy's most attractive privatisation candidates: Agip (upstream oil and gas), Agip Petroli refining and distribution, and Snam gas trading, transport and distribution. While it is planned that these will be offered to the public, there is disagreement over how they should be offered.

Alitalia, the quoted state airline in which IRI has a 90 per cent stake, is struggling *Picture: Trevor Humphries*

Should they be presented as an energy conglomerate, the SuperAgip solution, in a package that would also include the Saipem drilling and pipeline laying business and the Snamprogetti engineering company? Or should they be quoted and sold separately?

A plan prepared two years ago proposed that ENI itself should be quoted and sold, after disposal of non-core activities such as Nuovo Pignone, coal, media interests and chemicals. Subsequently the Amato government instructed ENI to present plans for the stock market quotation of Snam, Agip and other candidates for listing, with March 31 1993 as the deadline for completing the task.

With the fall of the Amato government, the problem was faced by Mr Ciampi's administration. A directive issued at the beginning of July 1993 required that procedures for selling Agip should be got underway within 30 days.

Mr Franco Bernabe', managing director, says that the corporation awaits instructions from the government. Stockbrokers and merchant bankers are not unanimous about how to maximise revenues. Politicians are divided. But whatever the decision, the initial public offering of shares in ENI's energy companies will be an important event for investors, in Italy and outside.

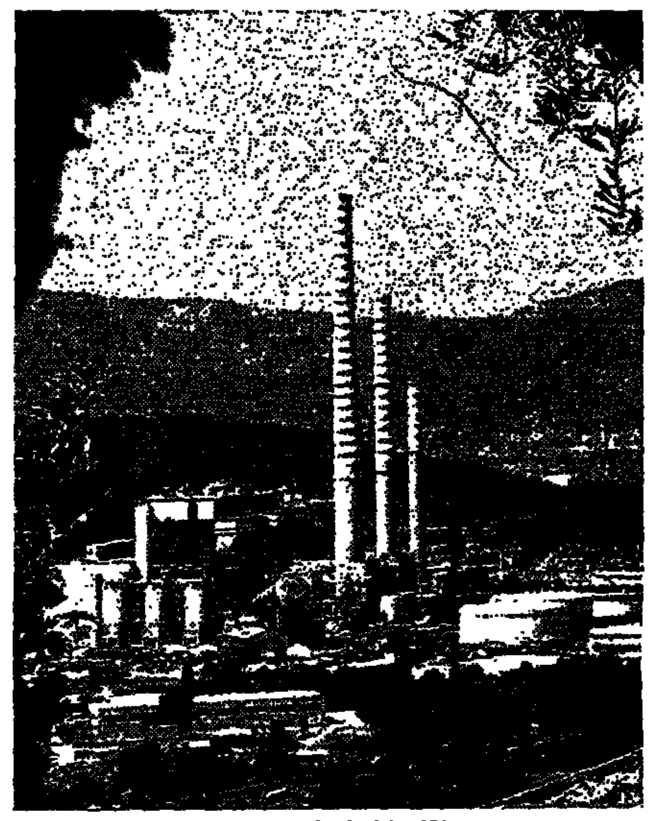
So also will be IRI's offering of shares in its quoted telecommunications sub-holding, Stet. As with ENI's energy business, the Stet offering is contentious, with politicians, bankers and industrialists elbowing for advantage. There is more than IRI's L12,000bn interest at stake.

Although there are further INA and IMI tranches to come, and Mr Mario Sarcinelli, the new chairman of Treasury-controlled Banca Nazionale del Lavoro, hopes for privatisation within two years, attention is now focused on Italy's infrastructure and industrial privatisations.

IRI expects to make an offering of shares in quoted Autostrade, the motorway operator, next year, as well as an initial public offering of shares in Aeroporti di Roma, the Rome airport company. Much more time will be needed to sort out struggling Alitalia, the quoted state airline in which IRI has a 90 per cent stake. "On Alitalia we will need a convincing story for the market," remarked Mr Ciucci.

Privatisation has been slow. Restrictive conditions on sales, aimed at job preservation, and a deeply ingrained anti-market mentality among many staff whose companies are threatened by privatisation have not helped.

On a political level, continuity and unity of purpose have been lacking. Disagreements in the Berlusconi government do little to encourage expectations that a coherent, determined and all-embracing programme will be implemented rapidly.



Enel became a joint stock corporation in July 1992

Case study: Enel

Black-out fuels the debate

Southern Italians were reminded of their dependence on electricity one morning at the end of August. The grid in central Italy had tripped, blacking out the south for several hours. Trains were stuck between stations, passengers trapped in lifts and, in the middle of a heat wave, refrigerators ceased functioning. It is easy to understand why angry users demanded that privatisation of the state electricity corporation, Enel, should be speeded up.

At the same time, however, opponents of privatisation were quick to use the black-out for justifying their position. They claimed that the absence of state control over the electricity industry would lead to poorer service, with higher risk of more and longer power cuts. While the black-out seriously inconvenienced about 18m users, it did provide ammunition in the privatisation debate.

Enel's reaction to the black-out and the relatively prompt return of the grid has also been exploited by those prepared to accept privatisation provided Enel is retained as a unified, vertically integrated electricity corporation. They say that restoring supplies in southern Italy would have been much harder with a fragmented industry.

Whether Enel should be split into separate production, transmission and distribution companies, or left alone, has been an issue dividing privatisers and partners of the governing coalition. Alleanza Nazionale (AN) is firmly against break-up, partly because of its centralist and corporatist fascist roots and partly because its electoral base is concentrated in the south. If Enel were split, southern users might suffer in terms of poorer service and higher tariffs.

Lega Nord has different ideas to its AN coalition partner. Favouring a federal political structure, it is not surprising that it leads calls for splitting Enel. Mr Vito Gnutti, Lega Nord industry minister, says that selling Enel as a unified, vertically integrated utility would only create a private sector monopoly.

Support for splitting Enel came in a document from the anti-trust authority at the end of June. The authority considers that promotion of competition in the electricity sector requires that Enel's privatisation should be directed towards market liberalisation.

British experience should provide the guide, suggests the anti-trust authority. It proposes: ● separating ownership and management of the production, transmission and distribution phases; ● selling off production plant; ● maintaining the single and centralised management of the transmission system; and ● reorganising distribution on a regional basis with the creation of separate companies.

Such proposals have met vigorous opposition from Enel's senior management. They argue that a unified and vertically integrated structure offers advantages of better plant co-ordination and security and service guarantees, economies of scale in production, distribution economies, negotiating muscle with international fuel suppliers and homogeneous tariff structures.

Enel says that there is also financial advantage in privatising the corporation as it stands. In a brief prepared for a hearing by a Senate commission in September, the corporation's board noted that splitting Enel would damage the image and credit rating that it presently enjoys in international financial markets.

"The sale of shares in a large corporation like Enel, that is well known and has good standing in national and international markets, would certainly be more successful than stock market quotation of several smaller, and unknown, companies derived from break-up."

Break-up would need time, and would probably necessitate the appointment of new management given the opposition expressed by Mr Franco Viezzoli, chairman, and Mr Alfonso Limbruno, managing director. So if the government's schedule for privatisation in the first half of next year is to be met, Enel will have to be sold as it stands.

Enel became a joint stock corporation in July 1992 and London merchant bank Kleinwort Benson was appointed the Treasury's advisers on privatisation in August last year. There has since been continuous co-operation aimed at preparing Enel for stock market quotation, the corporation's officers told the Senate commission. Indeed, Enel is ready for the market.

"Preparatory measures for share quotation that are Enel's responsibility have been completed. Kleinwort Benson's work is finished. Other measures that need to be taken are those connected with the quotation which can only be commenced when the quotation itself is decided," the commission was informed.

Two crucial political decisions have been under discussion for some time. These are the stipulation of an operating concession and the establishment of a regulatory authority for the electricity industry.

The operating concession has been a controversial issue since reports that it would give Enel a 99-year deal. Free marketeers, municipal utilities and vehicle producers reacted immediately. So did the anti-trust authority, which suggested that the concession's duration should be 20 years. The anti-trust authority recommended: "The concession should indicate clearly and unequivocally that there should be no guarantee of economic indemnification in the event that exclusive rights should be removed as a result of changes in national or Community law."

The concession is a critical piece in the privatisation puzzle, shaping the structure of Italy's electricity industry through the conditions it establishes and the roles that it defines for a privatised Enel and other operators.

With enactment of legislation at the end of July, establishment of the regulatory authority became critical. The law requires that sale of state shareholdings in energy companies must be subordinate to the creation of an independent body for regulating tariffs and overseeing service quality. Enel cannot be privatised until there is a regulatory authority.

With the coalition parties haggling over the number of its members, and with uncertainty about its role and that of the industry ministry in tariff setting, establishing the regulatory authority has not been straightforward.

At least Enel's financial indebtedness, often described as needing attention before privatisation, is no longer considered an obstacle. Medium and long-term debt was L34,504bn at the end of last year and the net short-term bank position showed borrowings of L2,003bn on net equity of L20,000bn. However, net indebtedness fell by L1,448bn in the first half this year, with internally generated finance increasing to L5,235bn from L4,005bn in first-half 1993.

Profits have also improved. The post-tax result was L344bn last year, 47 per cent up on 1992. Enel's board considers that the operating margin in the first half, 29 per cent higher than last year, and continuing rationalisation allow expectations of a full-year outturn better than 1993.

Potential investors will be looking closely at profits and will want to see further substantial increases. Despite the improvement, last year's result would have been insufficient for satisfactory shareholder remuneration.

Says Mr Paolo Azzoni of Milan securities house Gamba & Azzoni, the Paribas Capital Markets subsidiary: "As an electricity utility, investors will be looking for dividends from Enel. Profit is crucial."

David Lane

ENEL KEY FIGURES (in billions of lira)

	1991	1992	1993
Sales revenues	25,903	28,536	30,104
Added value	17,422	19,114	19,304
Gross operating margin	9,052	10,241	10,618
Depreciation	4,310	4,103	4,298
Profit before tax*	1,300	2,110	1,089
Accelerated depreciation	1,209	2,026	1,853
Net post-tax profit	229	234	344
Net financial indebtedness	32,170	34,291	36,507
Payroll (000s)	109.7	107.4	105.8
Net production (TWh)	168.0	168.8	163.7
Sales (TWh)	194.1	197.5	198.2

Note: *and extraordinary items. Source: Enel

ITALIAN PACKAGING MACHINERY INDUSTRY

The Italian packaging machinery industry: a world leader with growing shares in the market, thanks to its traditional success in satisfying market demands, while providing personalised solutions

THE REASONS OF A LEADERSHIP

Italian packaging machines are in use in over 150 countries, mostly in European markets, the U.S. and Japan, as well as in the newly industrialised countries of Asia.
Also of special importance is the use of Italian machines in countries striving to improve their living standards, from the CIS to the other nations of East and Central Europe, as well as China, Latin America and the more developed industrial regions of Africa.
Today one out of four packaging machines on the international market is made in Italy.

A successful tradition. The reasons for this success can be traced within its historical and geographical roots.
The first businesses were formed in *Bologna* at the beginning of the 19th century.
As true pioneers, the first industries were well ahead of their time in identifying two fundamental demands of the market: the strategic importance of packaging in the market of products of large consumption; and the need to adapt packaging machines to fit the particular requirements of each customer.

Customisation. On the basis of this tradition, the Italian-packaging machinery firms offer a complete range of products on the world market. The systems and the machines they plan are tailor-made to fit specific customer needs, using innovative technology and new materials at every level of the production process. Furthermore, the highest levels of service are guaranteed by a continuous and stable contact between producers and customers.

Non-stop research. The major part of the people working in the Italian packaging machinery sector is employed in research, development and maintenance.

They work on two fronts. On one side they develop an increasing number of complete and automatised lines. On the other side they create user-friendly machinery which requires less maintenance and can be integrated into the users already-existing production and inspection systems.
According to a survey carried out by the Harvard Business School, Italian packaging machinery is an "happy combination of artistry and technology".

Competition and competitiveness. The Italian packaging machinery sector is mainly composed of small and medium sized companies. So competition is very strong and represents a continuous stimulation for the improvement and innovation in products and services, customer orientation, flexibility and good quality-price ratio.
This is the basis for the competitiveness of the sector on the worldwide market.
Such a simple and, at the same time, sophisticated structure quickly became a strong success factor when Italian entrepreneurs begun to cross over the frontiers.
Export has become so important that Italian packaging machinery industry is going to achieve a position of leadership on worldwide market.

The trend of the Italian industry of packaging machinery (value in million U.S. dollars)

	1992	1993	△ % 93/92
Turnover	1,621	1,824	+12.5
Export	1,123	1,494	+33.0
Deliveries on the Internal market	498	330	−33.6
Import	178	203	+14.3
Domestic consumption	676	534	−21.0
Trade balance	945	1,290	+36.5
Import / Domestic consumption	26.3	38.1	
Export / Turnover	69.3	81.9	

Source: UCIMA–The Italian Packaging Machinery Manufacturers' Association - Economic Studies Bureau

ITALIAN PACKAGING MACHINERY: NON STOP GROWTH.

"We can look at the future very optimistically", said Mr. Giancarlo De Martis, president of UCIMA (the association representing Italian packaging machinery manufacturers).
In 1993 over 300 companies producing packaging machinery in Italy registered a growth in export of 33% compared to the previous year, and the impact of sales on turnover increased from 69.3% to 81%.
"While other countries such as Germany, France and Switzerland reported a decrease in terms of turnover - said Mr. De Martis - the Italian packaging machinery industry seems to be launched towards a continuous growth. With no doubt the readjustment of Lira has been helpful, but the most important role in such a success has certainly been played by the pursuit of a policy of high technology and customer satisfaction".

An in-depth look. Export in 1993 represented 81.9% of the total production of Italian packaging machinery and in the same year balance of trade registered over 1.3 billion dollars (about 70.7% of the total turnover).
Obviously the EC is the primary market for Italian packaging machinery export with a share of 39.2% and with a growth rate in 1993 of 20.4% compared to 1992.
The German market remains the most important (+13.1%), followed by the U.S., France, UK, and Spain.
Export also increased in the Eastern European market (particularly in Poland and CIS) in Latin America (particularly Mexico, Argentina, Chile and Brazil), China and South East Asia.

A "memorable overtaking" of the competitors was then achieved in Japan where Italian machineries represent 35% of the total of foreign machineries sold there.

A strategic development. The strong position of the Italian packaging machinery industry is now going to be consolidated with an outreach visibility plan that UCIMA (the association representing Italian packaging machinery manufacturers) is implementing.
The core of this plan is the creation of the Italian Packaging Points in Hong Kong and Mexico City (and so, at the gateways to the most strategic markets: the Far East and Latin America).
These "IPPs" will support all the initiatives of Italian packaging industry (i.e. the "Italian Packaging and Process Machinery Exhibition" that will be held in Beijing in March 1995), and, most of all, will manage all the communication to the Far East and Central-Southern America.
"The Far East and Latin America, - declared Mr. De Martis - thanks to the development they achieved in the last years will be the big "chances" for Italian packaging machinery industry".
The Italian manufacturers of packaging machinery have already achieved good results, much more valuable considering the fact that, in many cases, there was no advantage coming from the devaluation of the Lira.
"So, - declared Mr. De Martis, the consolidation of the Italian packaging machinery industry in these "relatively" emerging markets, represents the last frontier to worldwide leadership".

Trade balance with major partners (value in million U.S. dollars)

	Italian Export to:	%	Balance '93
Germany	172	10.30%	97
U.S.A.	160	9.59%	139
France	153	9.17%	136
United Kingdom	127	7.61%	116
Spain	72	4.31%	67
Japan	65	3.89%	59
Switzerland	50	3.00%	20
Netherland	23	1.38%	10
Austria	18	1.08%	10
Sweden	14	0.84%	2
Other countries	815	48.83%	797
Total	1669	100.00%	1449

Source: Ucima-The Italian Packaging Machinery Manufacturers' Association - Economic Studies Bureau

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COMMODITIES AND AGRICULTURE

Landowners urge environmental farm policy

By Alison Maitland

Price support to European farmers is bound to fall further but it must be replaced by environmental and social funding if rural areas are to survive and prosper, according to a report by one of Britain's leading farm organisations.

The Country Landowners Association, with 50,000 members from small farmers to large estate owners, calls for the Common Agricultural Policy to be transformed into a European Rural Policy.

The CLA proposals, which will be discussed by its council next week, will fuel the debate on the need for further CAP reform in the light of the Gatt agreement and EU enlargement to encompass the farm-intensive countries of eastern Europe.

Its contribution draws similar conclusions to a study by a group of independent agricultural experts for the European Commission last month, which recommended scrapping production quotas and payments to arable farmers for set-aside.

But Mr George Dunn, CLA economist, said the organisation did not agree with that report's conclusion that member states, not the EU, should be responsible for future support for rural areas.

"We don't believe our Treasury would wear any such policy if they were allowed discretion over whether to implement it," he said.

The CLA report says agriculture remains significant to the economy and communities of rural areas and vital to environmental conservation, even if its contribution to GDP in some member states is falling.

"The context of any future CAP debate must therefore be the countryside as a whole."

Public pressure is mounting for cuts in support to agriculture, "the last core industry to receive such a large amount of state support". Continued support is increasingly being justified by – but confused with – other objectives such as the environment, which are targeted indirectly through agricultural payments.

Yet current levels of funding for agri-environment programmes "represent a missed opportunity." In the UK, spending on these is only about 1 per cent of total farm support.

The CLA calls for support payments to be based on the size of a farm, decoupling them from production. It says the existing system of production controls reduces farmers' flexibility to respond to changing circumstances, holds back new entrants and protects inefficient producers. It cites a recent study of the EU cereals sector by two commission officials showing that the CAP has lost Ecu2.2bn (£1.73bn) a year by keeping inefficient farmers in production.

Hectarage payments should be reduced gradually, it argues, in step with the growth in voluntary countryside management schemes and in non-government sources of income.

Further funding for forestry and non-food crops and for start-up for small businesses would be needed to help diversify the rural economy. Regional social aid would also have to be maintained in areas where an exodus from the land would create social and environmental problems.

The CLA acknowledges the difficulty of selling such a policy shift.

"But it is clear that the EU is set on a course of reducing support prices. The debate has moved from "if" there is to be a move to market prices to "how" this will be achieved," it says.

A season of mists and mellow fruitfulness

Autumn conditions across Europe have been ideal for ploughing and planting

FARMER'S VIEWPOINT

By David Richardson

What a difference a month makes! Four weeks ago the planting of autumn wheat and barley on our Norfolk farm had only just begun. Activity was somewhat feverish because we had no way of knowing when wet weather would force us off the land. Delays would be costly and erode prospects for useful yields next harvest.

During the previous three weeks there had been close to eight inches of rain. The land was saturated and the season had all the makings of another 1993, when autumn sowings were not completed until near Christmas in almost impossible conditions.

But it did not rain. Fine weather continued day after day. Those foggy mornings that disrupted road travel were just what farmers needed and very soon we settled into a regular routine of ploughing and planting every day into soil that had dried to an ideal moisture content for making good seed beds. Even very heavy clay land pulled down into a tilth better than it had for years.

Wild mushrooms could be cut by the capful from the farms' horse meadows – a sure sign of a benign autumn. Green shoots sprang from the brown earth as the newly planted seeds germinated and emerged. The leaves on the trees and in the hedgerows turned variously to yellow and gold, brown and red; a profusion of pastel shades to delight the eye of even the most unappreciative countryman.

By the time the clocks changed the planting on most of the winter cereals scheduled for this autumn had been completed. Only a few fields remain to be done, mainly after growing crops of sugar beet and potatoes have been lifted and cleared – work which has also progressed well in the fine weather.

It has not been an entirely trouble-free season, of course. In farming that is not expected.

Emergence of some cereal crops has been slower than usual, probably because of the long absence of rain. Slug damage has been severe enough in some areas to cause a few fields, or parts of fields, to be replanted. There have been several reports of sightings of cereal aphids on newly-planted crops, vectors of a debilitating disease called barley yellow dwarf virus, which may cause loss of yield and quality next harvest. In some areas in the south-east of England that did not get the September storms farmers were last week complaining their land was so hard and dry that they were having to delay the completion of their plantings. The weekend rain will have pleased them greatly. Indeed it pleased me too; for it will ensure the germination of seeds in the fields we planted last week.

So, in dramatic contrast to last year at this time, a feel-good factor is abroad in the British countryside. It is being enhanced by the memory of a harvest that was better than expected in many parts of the UK; and it is being reinforced by prices for grain that are several pounds a tonne higher than most farmers budgeted.

Moreover a substantial portion of the grain harvested just a few weeks ago has already been sold – although not necessarily moved from farms. Much is the subject of forward contracts for movement some time during the winter or spring at locked-in prices that also reflect the cost of storage.

Furthermore, the most forward-looking farmers are now considering the possibility of locking in some sales during autumn and winter of 1995-96 for the crops they have just planted. Forward prices, which are currently riding on the back of the brisk current demand, are significantly above anticipated nominal support levels for that time.

Given the ideal soil conditions into which most of this year's autumn cereals have been planted – which, incidentally, have been repeated across northern Europe – some farmers and traders are beginning to think yields and the area sown in the EU may both rise and that this combination will lead to a fall in values. Added to that is speculation that, because of the present shortening in supplies, the European Commission may cut Set-Aside for harvest 1995 by 2 to 3 per cent – again increasing potential production. It is probable, therefore, that a small proportion, at least, of the 1995 harvest has already been sold at fixed prices.

It would be misleading if I did not mention the fact that the prosperity and good times I have described as affecting arable farmers is far from universal. The growers of apples and some vegetables and the producers of pigs, in particular, are experiencing severe and in some cases possibly terminal problems. Returns in those sectors are well below costs and none of them benefit from area payments and the like from Brussels. Indeed it may be salutary that the produce of such holdings receives little or no aid from Brussels. Further, it is intended that market forces shall rule for all commodities in due course.

Arable farmers should, perhaps, enjoy their unexpected good fortune while they may.

Aluminium price rise too fast for comfort, say analysts

By Kenneth Gooding, Mining Correspondent

Sharply rising aluminium prices are putting intense pressure on companies to re-start production capacity that was shut down following the international trade agreement reached in February, analysts suggest.

Some trade delegates at their next meeting to monitor the trade deal – in November – will be arguing that capacity should be re-started, suggests Mr Ted Arnold, analyst at the Merrill Lynch financial services group. He adds, however, "this does not mean that the [arrangement] is about to collapse. But it does suggest to us that it is starting to crumble well before its end-1995 deadline".

Mr Tony Bird, of the Anthony Bird Associates consultancy organisation, also warns: "If [aluminium] prices continue to rise inexorably in the short term the [trade agreement] would collapse quickly and chaotically; there would be no easing at all of the flow of Russian metal [to the west]; consumers would be deterred from using aluminium; London Metal Exchange stocks would begin to rise again. Put another way, the higher prices go, the harder they will fall".

Both analysts suggest that aluminium companies are unhappy about the recent surge, which has taken prices to levels they did not expect until the middle or end of 1995. Mr Arnold says, in Merrill's latest monthly metals report: "Although most consumers, merchants and dealers are that we speak to are looking for \$1,800 a tonne in early 1995, some producers will tell you, strictly off the record, that they don't want to see prices go that high. The higher prices go above the \$1,800 a tonne level, the more uncompetitive the aluminium can becomes against plastic in the US and steel in Europe".

In his latest "Aluminium Analysis" publication, Mr Bird suggests that aluminium companies "are not showing any great confidence in current price levels". Prices will have to fall, he adds. In the 1984-87 metals boom aluminium prices rose too quickly in the early days and then fell by 30 per cent over three years, he points out.

"The correction this time is most likely to take the form of a decline to about 67 cents a pound (\$1,477 a tonne) by the fourth quarter of 1995, followed by a steadier and more sustainable price rally in 1996 and 1997." Mr Bird suggests that the "cost justified" price today is 64 to 66 cents a pound (\$1,410 to \$1,455), rising to 74 cents (\$1,631) in today's money in the medium term.

Cereals deficit 'could be 700m tonnes in 2025'

By Alison Maitland

The world could be 700m tonnes short of its annual cereal requirement by the year 2025, according to a report published today.

Demand for cereals in developing countries is expected to double to 2bn tonnes by that year, with another 400m tonnes required for the "hidden" poor who are priced out of the market, says Prof Gordon Conway, an agricultural ecologist and vice-chancellor of Britain's Sussex University.

But growth in cereal yields in some regions is slowing and total production in developing countries could reach only 1.7bn tonnes, he says in a paper to be discussed in Washington this week by the Consultative Group on International Agricultural Research.

"The shortfall could be even greater if the agricultural environment further deteriorates," he says. About 17 per cent of the vegetated area is degraded, forests are being lost at an annual rate of about 16m hectares and the global fisheries catch is stagnant or declining.

Prof Conway says western donors have cut their funding of the CGIAR – which pays for agricultural research to help developing countries – in the belief that population and environment are higher priorities.

Arguing that substantial investment in research is needed, Prof Conway calls for a "super-green revolution" to create food security and sustainable livelihoods for the poor. "It will not be enough to rely on the simple transfer of technologies," he says. "The research institutions of industrialised and developing countries will need to be linked in new partnerships that reflect the opportunities created by the revolution in modern biology."

MARKET REPORT
Coffee tumbles

London Commodity Exchange COFFEE futures tumbled yesterday following reports of rain in Brazilian growing areas.

The January contract ended \$133 down at \$3,530 a tonne after dipping below \$3,500.

As speculative selling pushed the market lower the Brazilian weather reports "had buyers holding off until the full effect. . . on the [1995-96] crop is known", one trader explained.

Buyers were also on the sidelines during a sluggish session at the London Metal Exchange. Dealers said nearly all metals opted to consolidate, absorbing speculative profit-taking and selling. They added that the underlying trend remained upwards in most cases.

The three months COPPER price closed just 50 cents down at \$2,556 a tonne, but ALUMINIUM added \$12.75 to Friday's \$21.25 setback to close at \$1,740.50 a tonne.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1718-9	1740-1
Previous	1734-5	1753-3.5
High/low	1723	1757/1736
AM Official	1723-3.5	1743.5-4.0
Kerb close		1742-3
Open int.	N/A	
Total daily turnover	N/A	

■ ALUMINIUM ALLOY (\$ per tonne)

Close	1705-10	1740-5
Previous	1710-20	1745-50
High/low		1749/1745
AM Official	1710-5	1745-50
Kerb close		1740-5
Open int.	N/A	
Total daily turnover	N/A	

■ LEAD (\$ per tonne)

Close	646.5-7.5	659-60
Previous	650.5-1.5	662-3
High/low	647.5	663/659
AM Official	647.5-8.0	660.5-1.0
Kerb close		659-60
Open int.	N/A	
Total daily turnover	N/A	

■ NICKEL (\$ per tonne)

Close	6855-65	6965-70
Previous	6875-80	6985-90
High/low	6825/6824	7000/6890
AM Official	6823-4	6920-1
Kerb close		6965-70
Open int.	N/A	
Total daily turnover	N/A	

■ TIN (\$ per tonne)

Close	5460-70	5545-50
Previous	5515-25	5605-10
High/low		5625/5510
AM Official	5445-55	5525-35
Kerb close		5545-50
Open int.	N/A	
Total daily turnover	N/A	

■ ZINC, special high grade (\$ per tonne)

Close	1061-2	1083-4
Previous	1067-8	1088-9
High/low		1088/1078
AM Official	1059-60	1081-2
Kerb close		1079-80
Open int.	N/A	
Total daily turnover	N/A	

■ COPPER, grade A (\$ per tonne)

Close	2560-2	2555-7
Previous	2552-3	2556-7
High/low	2548	2563/2542
AM Official	2548-9	2545-6
Kerb close		2549-51
Open int.	N/A	
Total daily turnover	N/A	

■ LME AM Official £/\$ rate: 1.6277
LME Closing £/\$ rate: 1.6286

Spot 1.6277 3 mths 1.6364 6 mths 1.6241 9 mths 1.6207

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Oct	119.35	+0.90	119.40	118.50	1,285	316
Nov	118.25	+1.00	-	-	1,497	26
Dec	117.90	+0.95	118.25	118.90	41,215	6,458
Jan	117.35	+0.95	-	-	818	92
Feb	116.75	+0.85	-	-	570	-
Mar	116.15	+0.85	116.40	115.40	8,603	1,415
Total					61,633	9,224

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	\$ price	£ equiv.
Close	389.30-389.70	
Opening	389.20-389.60	
Morning fix	389.20	239.213
Afternoon fix	389.30	239.231
Day's High	389.90-390.30	
Day's Low	389.00-389.40	
Previous close	390.50-390.90	

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month	4.56	6 months	5.03
2 months	4.84	12 months	5.40
3 months	4.87		

Silver Fix	p/troy oz.	US cts equiv.
Spot	326.30	531.50
3 months	330.95	538.70
6 months	336.05	546.15
1 year	348.35	563.55

Gold Coins	\$ price	£ equiv.
Krugerrand	391-394	240-242
Maple Leaf	400.00-402.55	-
New Sovereign	91-94	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	389.6	-1.2	390.2	390.2	42	2
Nov	390.0	-1.4	-	-	-	-
Dec	391.4	-1.4	392.0	390.6	83,203	17,260
Feb	394.9	-1.4	395.4	394.5	19,303	144
Apr	398.5	-1.4	398.6	398.0	8,199	923
Jun	401.7	-1.8	402.2	401.7	9,885	392
Total					157,282	19,847

■ PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)

Oct	424.7	-0.2	425.0	424.0	110	4
Jan	425.7	-0.7	428.5	424.0	20,298	2,013
Apr	430.0	-0.7	430.0	430.0	2,850	13
Jul	434.2	-0.7	-	-	827	2
Oct	438.2	-0.7	-	-	358	-
Jan	441.2	-0.7	-	-	2	-
Total					24,043	2,032

■ PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.)

Dec	156.45	-0.70	158.50	156.00	4,566	101
Mar	157.55	-0.75	157.50	157.00	1,614	11
Jun	158.55	-0.85	-	-	262	-
Total					6,442	112

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Oct	531.3	+1.8	-	-	100	-
Nov	531.8	+1.3	-	-	-	-
Dec	534.2	+1.7	537.0	530.0	75,631	22,581
Jan	536.8	+1.7	-	-	74	4
Mar	542.7	+1.7	545.5	538.0	16,507	2,534
May	548.7	+1.7	549.0	545.5	4,676	41
Total					111,278	25,779

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. \$/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	17.45	+0.07	17.58	17.30	3,923	9,373
Jan	17.52	+0.08	17.64	17.44	113,073	48,087
Feb	17.51	+0.08	17.60	17.42	81,702	19,574
Mar	17.50	+0.08	17.60	17.44	28,632	5,684
Apr	17.50	+0.08	17.57	17.48	24,035	2,440
May	17.51	+0.08	17.53	17.51	17,760	1,569
Total					387,741	93,822

■ CRUDE OIL IPE (\$/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	16.38	+0.12	16.41	16.29	84,315	21,786
Jan	16.30	+0.12	16.34	16.24	30,818	7,048
Feb	16.25	+0.10	16.28	16.22	11,819	1,758
Mar	16.19	+0.09	16.21	16.19	8,513	325
Apr	16.16	+0.08	16.17	16.13	3,826	11
May	-	-	-	-	2,373	-
Total					152,718	31,138

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	49.16	+0.67	49.80	48.80	17,785	13,094
Dec	49.53	+0.59	50.15	49.25	44,169	25,156
Jan	50.03	+0.42	50.55	49.90	33,644	7,374
Feb	50.40	+0.38	50.95	50.20	18,424	4,132
Mar	50.10	+0.34	50.55	50.15	11,342	1,551
Apr	49.35	+0.34	49.85	49.40	6,949	537
Total					183,102	53,018

■ GAS OIL IPE (\$/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	151.25	+0.25	151.75	150.75	31,477	3,822
Dec	152.75	+0.25	153.25	152.50	24,192	3,721
Jan	154.50	-	154.75	154.25	20,471	1,720
Feb	155.50	+0.25	155.50	155.25	7,823	333
Mar	155.50	+0.25	155.50	155.25	6,840	79
Apr	154.00	+0.50	154.25	154.00	2,274	31
Total					102,808	10,210

■ NATURAL GAS NYMEX (10,000 mmBtu.; \$/mmBtu.)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	1.683	+0.088	1.700	1.620	15,104	27,335
Dec	1.934	+0.065	1.960	1.880	32,128	9,639
Jan	2.041	+0.038	2.067	2.025	19,450	3,987
Feb	1.991	+0.021	2.030	1.980	12,704	2,778
Mar	1.941	+0.011	1.970	1.950	12,075	873
Apr	1.891	+0.001	1.915	1.905	6,657	582
Total					151,021	51,598

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	52.46	+2.59	52.75	50.40	13,968	14,157
Dec	58.37	+1.12	58.60	57.50	21,584	26,113
Jan	55.97	+0.87	56.10	55.30	14,832	6,902
Feb	54.80	+0.80	55.00	54.30	8,399	2,484
Mar	54.95	+0.55	54.80	54.35	3,410	392
Apr	58.35	+0.59	58.10	57.90	4,653	185
Total					70,470	50,713

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	104.50	-0.85	105.50	104.50	1,453	184
Jan	108.55	-0.70	107.50	106.90	2,053	68
Mar	108.90	-0.45	109.50	109.00	1,558	26
May	110.75	-0.60	111.35	111.00	1,572	41
Jul	112.65	-	-	-	200	-
Sep	98.25	+0.25	-	-	40	-
Total					7,134	318

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	404/0	+6/6	408/0	392/2	38,236	6,222
Mar	415/0	+6/0	417/0	403/4	23,423	3,233
May	391/2	+7/2	392/0	381/0	4,152	420
Jul	356/0	+3/6	358/4	350/0	9,551	876
Sep	358/0	+2/0	358/0	356/0	231	2
Dec	367/4	+3/4	367/4	363/4	132	4
Total					75,731	10,757

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	217/2	+2/4	217/6	213/4	121,419	24,452
Mar	228/2	+2/2	228/6	224/6	57,080	6,363
May	236/6	+2/2	237/2	233/2	25,185	1,827
Jul	242/2	+2/0	242/6	238/6	28,870	2,545
Sep	247/2	+1/6	247/2	244/0	2,360	181
Dec	251/6	+0/6	252/0	249/6	12,552	1,314
Total					248,348	36,767

■ BARLEY LCE (£ per tonne)

Nov	101.50	-0.05	101.55	101.00	382	23
Jan	103.80	-0.45	-	-	468	-
Mar	106.25	-	-	-	180	-
May	108.35	-	-	-	58	-
Sep	93.75	-	-	-	2	-
Total					1,088	23

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	553/0	+4/4	553/4	543/0	52,119	21,221
Jan	564/2	+4/2	564/6	554/6	38,492	5,151
Mar	574/6	+4/4	575/0	566/0	21,075	2,773
May	582/4	+4/6	583/0	573/4	10,076	801
Jul	589/0	+4/2	589/4	580/0	18,825	1,348
Aug	592/0	+4/0	592/4	583/4	1,134	159
Total					148,213	32,575

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	26.13	+0.17	26.15	25.58	33,483	10,461
Jan	25.17	+0.04	25.19	24.80	13,881	2,215
Mar	24.62	+0.05	24.66	24.30	13,170	2,012
May	24.23	+0.01	24.25	23.95	11,322	1,357
Jul	23.87	+0.01	24.08	23.70	7,859	1,488
Aug	23.95	+0.03	23.95	23.73	2,148	158
Total					86,417	17,848

■ SOYABEAN MEAL CBT (100 tons; \$/ton)

Dec	164.7	+1.0	165.4	162.4	43,890	7,199
Jan	165.6	+0.8	166.5	163.8	17,039	2,202
Mar	169.3	+1.2	169.7	167.1	14,238	2,429
May	172.3	+0.9	173.0	170.5	7,918	910
Jul	176.5	+1.3	176.9	174.4	7,741	788
Aug	178.0	+1.4	178.2	176.5	1,113	40
Total					96,174	13,848

■ POTATOES LCE (£/tonne)

Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	218.5	+0.6	219.0	218.0	1,389	75
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,389	75

■ FREIGHT (BIFFEX) LCE (\$10/index point)

Oct	1875	+20	-	-	485	-
Nov	1834	+28	1835	1815	267	61
Dec	1780	+35	1780	1780	287	1
Jan	1722	+30	1720	1705	1,075	5
Apr	1660	+8	1660	1660	910	4
Jul	1481	+31	-	-	152	-
Total					3,191	73

	Close	Prev
BFI	1866	1855

Tea
The Tea Broker's Association reports improved general demand. Good liquoring Assams sold well at fully firm rates, while plainer sorts lost several pence. Bright East Africans were strong and often advanced 3 to 8p. Coloury mediums were fully firm but plainer sorts tended lower. Ceylons lost 3 to 5p. Offshore cif/fob fair demand. Kenyas were lower but Ugandas and Assams were steady. Quotations: best available 200p/kg. nom, good 140p/kg., good medium 124p/kg., medium 112p/kg., low medium 84p/kg.. The highest price realised this week was 205p for an Assam pf.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	937	-10	944	934	21,396	485
Mar	970	-11	978	967	42,762	646
May	981	-10	987	984	14,429	78
Jul	993	-9	-	-	6,209	-
Sep	1007	-8	1008	1006	12,403	33
Dec	1024	-7	1028	1024	8,511	75
Total					111,114	1,428

■ COCOA CSCE (10 tonnes; \$/tonnes)

Dec	1330	+12	1337	1305	27,339	7,498
Mar	1375	+9	1382	1353	22,924	3,875
May	1403	+9	1397	1390	7,973	430
Jul	1429	+9	-	-	3,032	10
Sep	1456	+9	1443	1435	1,346	-
Dec	1489	+9	1465	1465	4,980	44
Total					71,881	12,217

■ COCOA (ICCO) (SDR's/tonne)

Oct 21	Price	Prev. day
Daily	985.26	989.93

■ COFFEE LCE (\$/tonne)

Nov	3543	-130	3580	3500	6,220	1,417
Jan	3533	-130	3600	3490	11,666	2,225
Mar	3468	-135	3505	3440	8,285	841
May	3455	-131	3485	3426	3,021	30
Jul	3430	-140	-	-	1,330	-
Sep	3420	-140	3430	3405	1,403	110
Total					31,907	1,428

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	196.75	+1.20	198.00	188.10	13,300	3,835
Mar	201.65	+1.20	203.00	193.20	12,083	1,336
May	203.75	-0.10	204.50	197.85	4,894	74
Jul	205.00	+1.00	204.55	198.95	1,861	42
Sep	205.00	+1.25	205.00	199.95	880	26
Dec	205.50	-0.60	-	-	844	6
Total					33,467	

■ COFFEE (ICO) (US cents/pound)

Oct 21	Price	Prev. day
Comp. daily	186.22	191.48
15 day average	187.45	188.16

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Jan	13.00	-	-	-	-	-
Mar	12.92	-	-	-	90	-
May	12.97	-	-	-	290	-
Jul	12.91	-	-	-	450	-
Total					830	-

■ WHITE SUGAR LCE (\$/tonne)

Dec	347.50	+0.20	348.00	345.90	3,130	64
Mar	340.00	+0.10	340.50	338.40	8,823	478
May	338.70	-	339.00	337.30	2,101	62
Aug	335.80	-	335.50	335.00	2,558	16
Oct	315.30	+0.80	314.50	314.50	686	10
Dec	314.20	+0.80	-	-	4	-
Total					17,381	630

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.71	+0.01	12.79	12.68	85,492	5,671
May	12.70	-0.01	12.77	12.62	22,779	1,790
Jul	12.58	-0.02	12.62	12.53	14,759	1,470
Oct	12.20	-0.02	12.20	12.14	12,827	675
Mar	11.80	-0.04	11.83	11.80	1,784	27
May	11.80	-0.04	-	-	43	-
Total					147,788	9,633

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	70.60	+1.50	70.70	68.70	23,280	4,778
Mar	72.03	+1.40	72.10	70.20	13,341	1,542
May	72.80	+1.20	73.25	71.30	8,811	394
Jul	74.10	+1.60	74.10	72.10	4,109	158
Oct	70.00	+0.50	70.00	70.00	523	1
Dec	69.35	+0.50	69.30	68.60	2,325	70
Total					58,402	6,943

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	105.25	-3.40	107.25	103.00	4,800	459
Jan	109.35	-2.90	111.40	107.25	11,023	1,969
Mar	112.75	-2.35	114.00	110.10	5,270	771
May	116.00	-2.00	116.75	113.50	1,397	89
Jul	118.75	-1.75	119.75	118.75	845	86
Sep	121.00	-2.50	-	-	543	59
Total					25,409	3,487

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 24	Oct 21	month ago	year ago
2071.7	2085.5	2120.8	1597.8

■ CRB Futures (Base: 1967=100)

Oct 21	Oct 20	month ago	year ago
231.63	233.91	232.74	219.19

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	68.925	+0.100	69.400	68.500	606	436
Dec	70.150	-0.025	70.675	70.025	30,973	6,867
Feb	69.125	+0.150	69.400	68.925	18,398	3,669
Apr	69.125	+0.150	69.300	68.925	12,651	1,200
Jun	65.525	+0.100	65.625	65.225	3,825	523
Aug	64.550	+0.100	64.700	64.300	1,373	48
Total					68,971	12,753

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	30.800	-0.025	31.075	30.250	213	340
Dec	33.575	+0.550	33.675	32.950	18,738	4,234
Feb	36.600	+0.300	36.700	36.250	7,307	1,019
Apr	36.600	+0.275	36.725	36.225	4,117	508
Jun	42.200	+0.200	42.250	41.850	1,746	109
Aug	41.825	+0.200	41.850	41.425	324	13
Total					33,288	6,288

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	40.575	+0.825	41.100	39.300	8,757	1,673
Mar	40.700	+0.775	41.150	39.600	1,002	221
May	41.875	+0.725	42.400	40.500	323	121
Jul	42.600	+0.100	42.700	41.750	290	20
Aug	41.950	+0.800	41.950	41.500	65	4
Total					10,437	2,095

LONDON TRADED OPTIONS

Strike price \$ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1725	62	98	43	71
1750	49	86	55	83
1775	39	74	70	96
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
2550	68	92	69	118
2600	47	73	98	148
2650	31	57	131	180
■ COFFEE LCE	Nov	Jan	Nov	Jan
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
■ COCOA LCE	Dec	Mar	Dec	Mar
925	30	81	18	36
950	18	67	31	47
975	10	55	48	60
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1600	68	85	22	85
1650	41	62	48	62
1700	17	45	83	45

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

		+or-
Dubai	\$15.08-5.12z	+0.05
Brent Blend (dated)	\$16.40-6.42	+0.10
Brent Blend (Dec)	\$16.31-6.33z	+0.07
W.T.I. (1pm est)	\$17.45-7.47z	+0.09

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	\$183-186	+3
Gas Oil	\$153-155	+0.5
Heavy Fuel Oil	\$90-92	-
Naphtha	\$169-171	-
Jet fuel	\$177-179	+2.5
Diesel	\$158-160	+0.5

Petroleum Argus. Tel. London (071) 359 8792

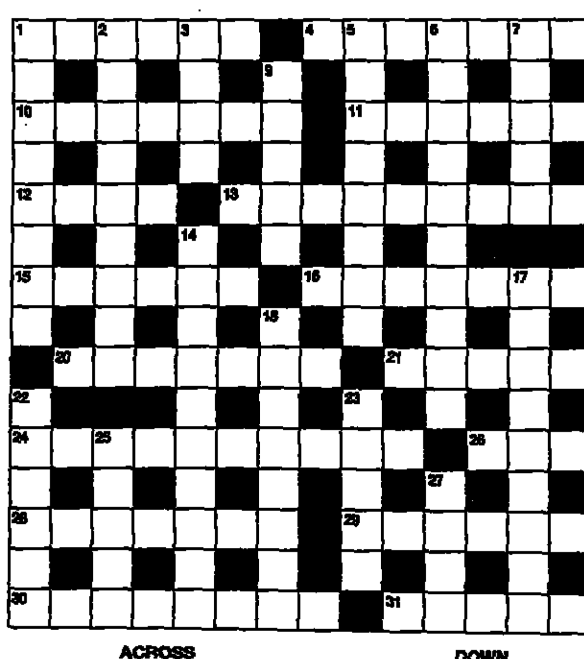
■ OTHER

Gold (per troy oz)♣	\$389.50	-1.20
Silver (per troy oz)♣	533.5c	-1.5
Platinum (per troy oz.)	\$420.50	-5.0
Palladium (per troy oz.)	\$155.60	-0.75
Copper (US prod.)	123.0c	
Lead (US prod.)	39.15c	
Tin (Kuala Lumpur)	13.95c	-0.05
Tin (New York)	256.5c	-2.5
Cattle (live weight)†	117.74p	-1.34*
Sheep (live weight)†♠	90.30p	-0.62*
Pigs (live weight)	73.04p	-0.31*
Lon. day sugar (raw)	\$317.1	-0.2
Lon. day sugar (wte)	\$353.0	-2.0
Tate & Lyle export	£307.0	-
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	\$132.0y	
Wheat (US Dark North)	£165.0u	
Rubber (Nov)♥	88.75p	-0.25
Rubber (Dec)♥	88.25p	-0.25
Rubber (KL RSS No1 Jul)	346.5m	-1.0
Coconut Oil (Phil)§	\$632.5u	-2.5
Palm Oil (Malay.)§	\$630.0t	-10.0
Copra (Phil)§	\$400.0u	
Soyabeans (US)	£153.0v	-4
Cotton Outlook'A' index	73.90c	-0.10
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Oct/Dec. u Nov/Dec. u Oct/Nov. z Dec. t Nov. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

CROSSWORD

No.8,593 Set by CINEPHILE



ACROSS

1 Good example derided verbally (6)
4 Man marrying women in the isles (8)
10 Be undecided about article depicting royal houses (7)
11 Cast a spell over part of the seventh rally (7)
12 Audible lament for having been cut (4)
13 Great lake formed asap in case (7,3)
15 Scared of a feminine attack (6)
16 Pyrenean town, one with a shortage (7)
20 Companion to queen left in path, maybe English (7)
21 Footballer without work, like all of us? (6)
24 Golfer gets little change from a litre (Italian wine) (3,7)
26 Holey ball with venerable sound (4)
28 In these (conventional) areas a twitch may be caused by him (7)
29 British queen, originally Scottish – Polish with it? (7)
30 To speculate with the gold is English (8)
31 Crotchety behaviour by devotee on his own? (6)

DOWN

1 Czech book, half missing, prefix for half article (8)
2 Strafford was sold at a price (9)
3 Royal welcome to party (4)
5 Model for Marx and Peel, possibly (8)
6 Amendment to charter act should deal with vermin (3-7)
7, 8 Ventures a greeting in East Africa (3-2-6)
9 Interrupt one's holiday? (5)
14 Indication to author who can depict characters (4,6)
17 Does no one know where the summit is (3,6)
18, 19 Cathedral choir's performances should be paid for (8,8)
22 What used to be over one's head is now commonplace (3,3)
23 Great northern tree to grind (5)
25 Weird eastern lake (5)
27 Trouble's raised, causing a splash (4)

Solution to Saturday's prize puzzle on Saturday November 5
Solution to yesterday's prize puzzle on Monday November 7.

LONDON STOCK EXCHANGE

MARKET REPORT

Currency factors reverse early gains in shares

By Terry Byland,
UK Stock Markets Editor

Once again, weakness in the US dollar undermined a firm start on the UK stock market yesterday and although trading volumes were low, share prices were turning easier at the end of the session. Traders commented that it was uncertainty over official US policy towards the dollar that was upsetting London stocks rather than any precise analysis of the implications for profits at the blue chip companies.

The market opened firmly as London responded to the dollar's rally late on Friday, which followed suggestions from Washington that the US authorities would intervene to support the currency. Helped also by a rebound in stock index futures, the FT-SE 100 Share Index jumped by 20 points to 3,052.9 in early deals.

Trading volume was painfully thin, however, and gains melted as the dollar failed to live up to its early promise and UK government bonds shaded lower. Confidence also cooled when bonds softened following regional consumer price data from Germany.

But the market held the line when Wall Street opened higher, and it was not until dollar weakness had turned the Dow Average downwards and bond markets had extended their falls that the Footsie slipped into negative territory. The Dow was 6 points off in UK hours.

At the close, the FT-SE 100 Index showed a net fall of 3.7 at 3,029.1 and dealers looked with some concern at the approach of the 3,000 level. The FT-SE Mid 250 Index shed 2.2 to 3,500.2 as buyers continued to back away across the broad range of the market.

A more revealing picture of the day's trading came from the official business volume figures. Turnover through Seaq, the market's electronic trading network, fell by nearly 12 per cent from Friday's figure, returning a total of only 456.3m shares. This is well below what are generally agreed to be profitable levels from the point of view of the London-based securities industry. About 60 per cent of the day's trade was in non-Footsie stocks.

The fall in market indices would have been greater but for sharp rise in shares in the regional electricity companies after East Midlands Electricity had announced a £186.5m special dividend payment to shareholders. Other electricity companies have returned cash to shareholders by way of share buy-backs but this policy has become frustrated by the strong share prices in the sector. The market now looks for other electricity companies to follow the East Midlands lead, although there were signs yesterday of political objections.

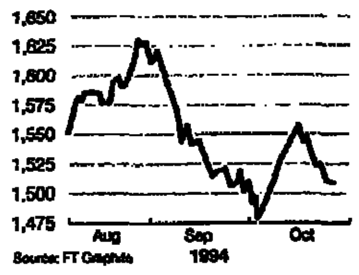
Although the focus was on the dollar-orientated stocks, losses among these issues were not large. Wellcome was a weak spot but this was ascribed to negative comments from a US investment bank known to be bearish on the stock rather than to currency factors. Other pharmaceutical issues also gave ground, but Glaxo managed to hold steady in spite of currency influences.

Currency nerves benefited stocks seen as domestically-focused and therefore likely to attract investors seeking to avoid dollar risk. Some store and retail issues gained ground, although buyers were very selective and backed away when the market turned sour.

The uncertainty in the London stock market is likely to focus on the next round of data on the US economy, due at the end of the week. On Friday, US gross domestic product statistics for the third quarter will be accompanied by the deflator figure which has been identified as a key factor in the inflation watch maintained by the US Federal Reserve Board.

The economic schedule in the UK is quiet this week, and dealers doubt if the latest survey of industrial trends by the Confederation of British Industry will bring any strong response from the stock market.

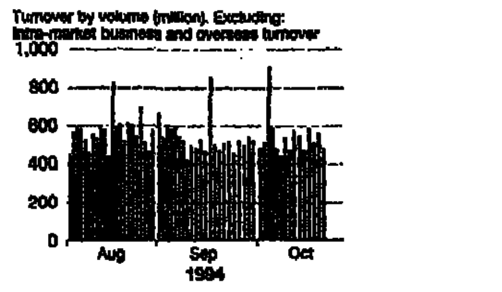
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3029.1	-3.7	FT Ordinary Index	2325.2	-8.5
FT-SE Mid 250	3500.2	-2.2	FT-SE-A Non Fins p/e	18.57	(18.60)
FT-SE-A 350	1523.0	-1.6	FT-SE100 Fut Dec	3030.0	-12
FT-SE-A All-Share	1510.76	-1.53	10 yr Gilt yield	8.82	(8.73)
FT-SE-A All-Share yield	3.98	(3.97)	Long gilt/equity yld ratio:	2.22	(2.21)

Best performing sectors		Worst performing sectors	
1 Electricity	+0.9	1 Pharmaceuticals	-1.1
2 Other Services & Bus	+0.4	2 Water	-0.8
3 Tobacco	+0.4	3 Diversified Inds.	-0.7
4 Insurance	+0.3	4 Retailers, Food	-0.6
5 Printing, paper & Pckg	+0.3	5 Merchant Banks	-0.5

Recs on dividend alert

Last Friday's rumours of a one-off special dividend of 85p from East Midlands Electricity were confirmed at the outset of trading yesterday and produced a flurry of heavy buying across the sector as analysts told their institutional clients to expect more of the same from other regional electricity companies, or Recs. And East Midlands is also expected to offer another special dividend to shareholders in the event of a successful sell-off of the National Grid, in which the Recs hold substantial stakes.

Dealers said the market focused its attention on those Recs that have authority to buy in their own shares but have not not yet done so. The favourite to launch a similar move to that undertaken by East Midlands was Southern, closely followed by Yorkshire and Eastern.

East Midlands shares were adjusted at the outset and quoted ex the special payment, eventually closing at 666p.

Yorkshire gave the best performance in the sector, closing 29 higher at 715p followed by Southern, 25 higher at 751p and Eastern, up 19 at 756p. Norweb put on 18 at 780p and South West 15 at 743p.

Specialists said the the odds were that the Treasury would move in next month's budget to close what is viewed as a loophole regarding share buy backs.

Eurotunnel rally

Channel tunnel group Eurotunnel had another active day with 2.6m shares changing hands and the shares recovering 16 to 225p as rumours of institutional muscle-flexing buzzed through the market.

There was a strong suggestion that a number of institutions were seeking compensation for losses suffered on shares taken up at the 265p rights issue last May.

Sentiment was also helped as tickets for the service from London to the Continent went on sale for the first time and sales agents were swamped with demand.

Low for APV

APV fell 6¼ to to a new low for the year of 61½p after the food processing equipment specialist denied a weekend report that it was in danger of breaching banking covenants. Turnover was heavy at 2.6m shares.

The group, which last month cut the interim dividend and said profits margins were under increasing pressure, last week ousted its chief executive and warned of an unspecified charge to cover further restructuring at its liquid foods division.

APV said that on current projections, it expected to stay within its covenants, but declined to detail what they were. Analysts' estimates of the restructuring charge range from £10m to £40m.

Market talk suggested that a number of potential industry bidders were beginning to run their eye over the shares which were 138p earlier this year.

Airways lower

British Airways tumbled 8 to 369p following news that USAir, in which BA has a 25 per cent stake, had run up another big loss for its third quarter and was downbeat about trading in the final three months of 1994.

BA paid $400m for its stake in USAir. Yesterday's losses - $3 a share, or possibly a full dollar above analysts' projections - led the market to speculate on the possibility of BA writing off all, or part of, its investment.

The combination of a weak US dollar and bearish comments from one US investment bank ensured that Wellcome, the pharmaceuticals group, was one of the FT-SE 100's principal casualties yesterday.

The shares were down 18 in early trading and against the trend. Goldman Sachs published a research overview reiterating its negative stance on the stock and voicing concern over the long-term prospects for Wellcome's herpes franchise. Then, as it was noted that the dollar was continuing its weak trend, the shares slid further with the market to close 24 lower at 627p on desultory turnover.

Elsewhere in the sector SmithKline Beecham was affected by a Sunday newspaper report that the US Food and Drug Administration was launching an inquiry into its acquisition of pharmacy benefit manager DPS. The shares fell 8¼ to 411p.

The share buy-back story, including talk of special one-off dividend payments, spilled over into the banks arena, driving stocks such as Barclays and TSB sharply higher.

Barclays raced up to 585p early in the session, as the stories took hold, but later fell sharply to close unchanged on balance at 572p after the bank poured cold water on the suggestions. The bank said it would require shareholder authority for such a move. Turnover in Barclays reached a hefty 8.1m shares.

TSB, which already has shareholder authority to buy in its own shares, edged up 3¼ to 224½p.

Life assurance stocks marked time ahead of an announcement from the Securities and Investment Board, expected this afternoon, regarding compensation for the victims of miss-selling of policies by life assurance salesmen.

Scottish and Newcastle and Whitbread stood out in a dull market, although the failure of the Lazard Brewers Investment Trust new issue came too late to affect sentiment in the sector. The merchant bank said applications for less than 10m units had been received - out of 215m on offer - and the issue, aimed at investment in UK regional brewers, will not go ahead.

Bass ended 4 lower at 530p. In low activity, S&N and Whitbread, the two brewers felt to be at the forefront of any industry rationalisation, rose 6 to 521p and 5 to 552p.

Stores group Marks & Spencer added 4¼ at 425½p after Hoare Govett underlined its enthusiastic stance at its morning meeting. It believes interim profits in early November will show an increase of around 9 per cent from last year's £312.7m and pointed out the bottom line benefits of M&S trading on the four Sundays before Christmas.

Rank Organisation edged up 2 to 415p ahead of expected good third quarter results from Xerox Corporation on Thursday and market confidence in a favourable trading statement from the UK's leading leisure group on Friday.

Filtronic Comtek, which designs and manufactures components for mobile telephones, put up a good performance on its stockmarket debut, the shares, offered for sale at 105p, opened at 108p and progressed to 119p before settling at 113p.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Jeffrey Brown.

■ Other statistics, Page 31

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (14).
BUILDING & CNSTRN (3) Ashtead, Sherif, Shorco, DISTRIBUTORS (3) Adam & Harvey, REA, Wishaw, EXTRACTIVE INDS (3) Gencor, Western Areas, Western Metals, FOOD MANUF (1) CPL Aromas, OIL EXPLORATION & PROD (1) Bula, OTHER FINANCIAL (1) Jupiter Tyndall, PRTNG, PAPER & PACKG (1) Jarvis Porter, RETAILERS, GENERAL (1) Moss Bros.
NEW LOWS (84).
BANKS (1) Sumitomo, BUILDING & CNSTRN (5) Berkeley, Boot (H), Persimmon, BLDG MATLS & MCHTS (4) Dyson (J&J), Do A, Graham, Tilon, CHEMICALS (1) Kalon, DISTRIBUTORS (3) Abacus, Dixon Motors, Hamlet, DIVERSIFIED INDLS (2) BTR Wrts. 1995/98, Powell Duffryn, ELECTRNC & ELECT EQUP (4) BICC, Delta, Forward, Industrial Control Servs., ENGINEERING (8) APV, Concentric, Hampson 8¾pc Prf. 91/03, Hunting 8¾pc Prf., Optometrics, Prospect, Richards, Richardson Westgarth, EXTRACTIVE INDS (4) Dragon, Monarch, Radiowood, St. Barbara, HEALTH CARE (4) ML Laboratories, Polartechnics, Premier, Tepnel Life Sciences, HOUSEHOLD GOODS (2) Fine Decor, Vymura, INVESTMENT TRUSTS (13) INVESTMENT COMPANIES (3) LEISURE & HOTELS (3) Airtours 8¾pc Prf., Ladbroke, Mandarin Oriental Intl., MEDIA (3) BBB Design, Osprey Comms., Portsmouth & Sunderland, MERCHANT BANKS (2) Hambros, Do 7¾pc Prf., OIL EXPLORATION & PROD (2) Pittencrieff, Schlumberger, OTHER FINANCIAL (1) Berry, Birch & Noble, OTHER SERVS & BUSNS (1) Waste Management Intl., PHARMACEUTICALS (1) Grampian, PRTNG, PAPER & PACKG (1) Bemrose, PROPERTY (6) Derwent Valley, HK Land, London Industrial, Piller, Scottish Metropolitan, Trafford Park, RETAILERS, GENERAL (3) Kingfisher, Menzies (J), Sothebys A, SUPPORT SERVS (2) Novo, Pegasus, TEXTILES & APPAREL (3) Alexandra Workwear, Richards, UK Safety, TRANSPORT (2) London & Overseas Freighters, Norish, AMERICANS (2) Dun & Bradstreet, General Electric.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved lower with turnover slumping to one of its lowest levels of the year, writes Jeffery Brown.

At times the market traded at a discount to cash equities but with volume tailing away to little more than a third of Friday's level there was never any real weight of selling.

The FT-SE 100 December contract was 3,030 at the official 4:10 close, down 12 points. At this level there was a one point premium to the cash market while the fair value premium was around 15 points.

Traders said the low level of activity - there were 5,523 contracts, against 13,340 on Friday - was a clear reflection of the absence of directional leads.

They pointed to the low status of the economic data due this week, and said that a number of the larger traders had decided to stay away for the schools half-term holiday.

One trader described both stock index and option volume as "wickedly low".

Activity in traded options was just 13,951 lots, down from 48,235 lots on Friday. Of this, FT-SE and Euro FT-SE trading accounted for just under 8,000 lots.

The most active individual stock option was the Prudential with 757 lots followed by HSBC with 642 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3050.0	3030.0	-12.0	3065.0	3021.0	6311	53733
Mar	-	3052.0	-12.0	-	-	0	3779

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3505.0	-	-	-	0	4218

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3515.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3033) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Nov	187½	12	145½	19	107½	30	73½	47	46	72	28	103½	14½	143½	7½	188½
Dec	206½	27	170	39½	135	54	105½	75½	78½	97½	54½	127	36½	160	23	198
Jan	231	41	185½	54½	160½	70½	132	91½	102½	112½	79½	141	58	171	43½	207½
Feb	243½	50½	208½	65	178	82½	147½	103½	119	128	97½	155	78½	185	59½	219
Jun†			259	95			199	134½			149	184½			165½	243½

Calls 2,976 Puts 4,171

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Nov	166	15½	124½	24	88½	38	60½	59½	37	85½	21	119½	10½	159	4½	203
Dec	186½	33	150	45½	116½	62	86½	82½	63½	108	44	138	28	171½	18½	210
Jan			172½	56			115	97			72	152½			42	221½
Mar			205½	81½			146	120			96	169½			62	231
Jun†			247½	105			189	143			138½	188½			87½	243½

Calls 654 Puts 113 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Oct			118 76⅞	93¼ 101⅛	69½ 129⅝			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Oct 24	Day's chge%	Oct 21	Oct 20	Oct 19	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3029.1	-0.1	3032.8	3063.2	3060.8	3184.8	4.17	7.17	16.47	110.69	1149.30
FT-SE Mid 250	3500.2	-0.1	3502.4	3524.9	3521.2	3547.0	3.57	5.82	20.73	108.90	1306.92
FT-SE Mid 250 ex Inv Trusts	3498.5	-0.1	3500.8	3521.3	3516.7	3546.6	3.74	6.30	19.31	113.37	1303.84
FT-SE-A 350	1523.0	-0.1	1524.8	1538.7	1537.4	1588.1	4.03	6.86	17.29	53.77	1181.74
FT-SE SmallCap	1786.20	—	1786.66	1792.77	1792.87	1804.28	3.31	4.97	25.24	48.85	1389.51
FT-SE SmallCap ex Inv Trusts	1758.34	—	1758.49	1762.51	1762.48	1787.92	3.51	5.52	23.02	50.71	1372.10
FT-SE-A ALL-SHARE	1510.76	-0.1	1512.29	1525.58	1524.39	1572.00	3.98	6.72	17.89	52.50	1192.30

■ FT-SE Actuaries All-Share

	Oct 24	Day's chge%	Oct 21	Oct 20	Oct 19	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2686.67	+0.2	2681.91	2682.28	2683.89	2437.40	3.46	5.13	24.63	82.53	1073.71
12 Extractive Industries(4)	3895.06	+0.1	3890.59	3904.76	3938.67	3180.80	3.30	5.28	23.41	98.62	1072.06
15 Oil, Integrated(3)	2618.01	+0.2	2612.62	2606.39	2629.73	2409.90	3.60	5.74	21.88	86.98	1077.35
16 Oil Exploration & Prod(11)	1878.13	—	1877.33	1900.18	1896.96	1994.50	2.21	‡	‡	38.03	1086.65
20 GEN MANUFACTURERS(267)	1849.61	-0.2	1853.53	1869.72	1870.97	1928.50	4.12	5.17	23.45	66.87	845.75
21 Building & Construction(33)	1051.39	—	1051.39	1055.62	1052.94	1177.30	3.76	5.27	25.01	36.06	828.49
22 Building Matls & Merchs(32)	1812.56	-0.3	1817.47	1832.70	1829.90	1695.00	4.07	6.21	23.36	66.90	858.52
23 Chemicals(23)	2317.88	-0.1	2319.37	2342.34	2342.11	2235.70	4.00	4.45	28.09	79.58	1028.56
24 Diversified Industrials(16)	1736.93	-0.7	1749.06	1769.00	1774.60	2009.50	5.27	5.34	22.48	82.75	869.30
25 Electronic & Elect Equip(34)	1858.74	+0.1	1857.44	1868.34	1878.22	2115.20	4.06	6.78	17.57	60.85	910.67
26 Engineering(71)	1790.32	+0.1	1789.42	1806.98	1800.54	1700.00	3.19	5.01	23.66	49.47	1026.44
27 Engineering, Vehicles(12)	2260.26	-0.3	2266.01	2275.82	2268.11	1906.40	4.43	1.46	80.00†	92.54	1105.54
28 Printing, Paper & Pckg(26)	2753.27	+0.3	2746.12	2756.69	2762.04	2480.80	3.13	5.43	21.54	76.03	1085.18
29 Textiles & Apparel(20)	1575.60	-0.4	1581.63	1605.36	1608.84	1960.40	4.26	6.87	17.85	49.58	892.34
30 CONSUMER GOODS(97)	2699.57	-0.4	2711.31	2737.49	2732.73	2895.10	4.45	7.43	15.57	107.93	933.36
31 Breweries(17)	2218.37	+0.1	2216.24	2232.41	2207.48	2087.90	4.27	7.74	15.67	61.10	993.78
32 Spirits, Wines & Ciders(10)	2783.43	-0.3	2792.63	2838.98	2844.12	2753.10	4.01	6.96	16.49	101.23	936.87
33 Food Manufacturers(23)	2262.03	-0.2	2266.98	2286.67	2286.94	2379.00	4.29	7.71	15.13	84.99	954.39
34 Household Goods(13)	2398.94	-0.4	2408.51	2434.81	2408.81	2675.00	3.81	7.57	15.81	89.96	868.75
36 Health Care(21)	1606.64	+0.1	1605.28	1617.74	1621.02	1740.50	3.14	3.36	41.93	48.24	936.05
37 Pharmaceuticals(12)	2963.19	-1.1	2994.93	2999.37	2996.11	3387.80	4.65	7.23	16.02	125.28	946.13
38 Tobacco(1)	3603.11	+0.4	3590.53	3691.20	3720.56	4108.00	6.02	9.54	11.26	217.07	821.90
40 SERVICES(219)	1893.39	-0.1	1895.26	1906.79	1907.39	1916.80	3.21	6.46	18.66	51.78	931.59
41 Distributors(30)	2480.23	-0.2	2485.47	2502.65	2521.39	2677.20	3.78	7.40	15.98	86.25	863.85
42 Leisure & Hotels(25)	2053.17	-0.3	2058.57	2079.06	2082.89	1915.40	3.37	4.86	24.22	57.89	1015.11
43 Media(39)	2779.82	-0.2	2784.06	2804.72	2791.48	2619.10	2.50	5.40	21.59	69.42	967.22
44 Retailers, Food(16)	1695.87	-0.6	1705.61	1711.98	1712.07	1743.30	3.82	9.44	13.09	52.00	1015.59
45 Retailers, General(45)	1647.96	+0.2	1645.14	1652.83	1653.42	1713.10	3.20	6.60	18.80	44.65	882.77
48 Support Services(41)	1483.22	-0.1	1485.06	1492.28	1497.80	1641.70	2.84	6.52	18.11	35.92	904.15
49 Transport(16)	2219.32	+0.1	2216.62	2231.65	2236.06	2298.70	3.34	6.71	20.32	59.28	871.63
51 Other Services & Business(7)	1252.19	+0.4	1247.67	1245.85	1244.05	1242.70	4.01	3.12	48.47	25.82	1075.73
60 UTILITIES(36)	2372.08	+0.1	2369.39	2398.06	2385.93	2519.40	4.44	7.92	15.36	81.97	916.97
62 Electricity(17)	2465.73	+0.9	2442.86	2448.74	2426.75	2203.70	3.72	9.99	11.94	83.46	1025.40
64 Gas Distribution(2)	1878.49	-0.4	1885.14	1907.52	1894.48	2289.70	6.38	‡	‡	117.96	881.46
66 Telecommunications(4)	1999.33	-0.1	2001.32	2037.26	2031.50	2291.20	4.13	7.97	15.47	60.22	852.59
68 Water(13)	1859.19	-0.8	1873.25	1904.44	1904.58	1969.30	5.23	12.73	8.57	69.36	929.39
69 NON-FINANCIALS(637)	1632.58	-0.1	1634.76	1647.70	1647.36	1693.85	3.95	6.46	18.57	65.52	1157.36
70 FINANCIALS(104)	2135.06	+0.1	2133.81	2161.51	2152.63	2339.20	4.53	9.19	12.62	89.55	849.70
71 Banks(10)	2793.56	+0.1	2791.05	2829.51	2807.68	2878.80	4.32	10.20	11.22	116.39	839.80
73 Insurance(17)	1227.46	+0.3	1224.18	1244.12	1247.89	1490.30	5.51	9.59	11.93	61.61	947.67
74 Life Assurance(6)	2318.77	—	2318.86	2359.44	2351.57	2835.20	5.51	8.04	15.16	127.82	897.38
75 Merchant Banks(6)	2711.86	-0.5	2724.58	2745.80	2741.80	3196.80	3.83	12.16	9.58	87.78	818.68
77 Other Financial(24)	1800.11	+0.1	1797.72	1801.27	1805.46	1799.90	4.03	8.68	13.78	63.31	965.42
79 Property(41)	1453.76	-0.1	1455.44	1468.47	1466.13	1721.80	4.17	4.37	28.84	43.66	832.79
80 INVESTMENT TRUSTS(124)	2717.78	-0.1	2719.95	2747.56	2749.98	2730.60	2.26	1.98	51.08	54.15	914.24
89 FT-SE-A ALL-SHARE(865)	1510.76	-0.1	1512.29	1525.58	1524.39	1572.00	3.98	6.72	17.89	52.50	1192.30

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3039.6	3040.1	3042.9	3052.5	3044.0	3043.2	3045.2	3044.3	3032.8	3052.9	3029.1
FT-SE Mid 250	3502.6	3506.7	3508.0	3512.8	3510.4	3510.1	3509.8	3508.3	3501.4	3513.3	3500.0
FT-SE-A 350	1527.3	1527.9	1529.1	1533.3	1529.8	1529.4	1530.2	1529.6	1524.5	1533.5	1523.0

Time of FT-SE 100 Day's high: 10.51am Day's low: 4.30pm. FT-SE 100 1994 High: 3520.3(2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	986.1	986.0	987.2	990.0	990.2	990.2	990.1	989.6	987.0	987.9	987.8	+0.1
Pharmaceuticls	2969.6	2960.0	2959.7	2965.1	2953.4	2951.6	2960.4	2958.7	2943.5	2934.2	2966.8	-32.6
Water	1880.9	1880.2	1874.6	1877.9	1874.5	1873.5	1871.4	1869.0	1860.7	1857.0	1871.2	-14.2
Banks	2846.4	2844.7	2847.3	2850.5	2846.0	2849.6	2847.6	2841.6	2833.0	2828.7	2826.1	+2.6

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. The FT "500" has been renamed FT-SE-A Non-Financials Index. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETION: Pianoforte (81).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,000	317	-2
ASDA Group†	6,400	64½	+1
Abbey National†	2,700	411	+6
Albert Fisher	282	45	+1
Allied Domecq†	1,200	574	-2
Anglian Water	308	537	-11
Argos	458	326	-1
Argyll Group†	1,100	285½	-1½
Arjo Wiggins	1,000	246	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Domecq	540	38½	-	-	1	-	-
(*575)	580	2	-	-	16½	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*304)	330	2½	9½	15	28	31½	38½
Brit Telecom	360	28½	33	39½	2	8½	12½
(*384)	390	6	15	23	12½	23½	28½
Cadbury Sch	420	23	36	41	5	11½	21
(*436)	460	4½	16	21½	29½	33½	43
Eastern Elec	750	38½	53	71½	23½	39½	51
(*756)	800	11½	32	48	55	68	79
Guinness	460	12½	27	34	9	17	26½
(*461)	500	2	11½	18½	41½	44½	52
GEC	280	6½	16	22	6	13	16
(*282)	300	22	7½	13	20	25	27½

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Hanson	220	9	14½	17	5½	11½	13½
(*222)	240	2	6	8½	19	24	27½
Lasmo	134	18	-	-	2	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*691)	600	3	32½	48½	12	33½	50
HSBC 75p shs	700	12	50	63	5½	33½	57½
(*706)	750	1	29	41	46½	63½	87½
Reuters	450	14½	-	-	2	-	-
(*460)	462	4½	-	-	6	-	-

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Rolls-Royce	160	17	22½	25½	2½	5½	9
(*173)	180	5	11½	16	11	14½	19

* Underlying security price. Premiums shown are based on closing offer prices.
October 24, Total contracts: 13,957 Calls: 6,400 Puts: 7,557

FT GOLD MINES INDEX

	Oct 21	% chg on day	Oct 20	Oct 19	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2285.70	-0.8	2304.73	2279.24	1983.77	1.90	2367.40	1762.02
■ Regional Indices								
Africa (16)	3700.63	-0.3	3711.87	3695.94	2760.65	3.78	3711.87	2304.45
Australasia (7)	2907.38	+0.2	2901.34	2881.14	2320.38	1.85	3013.89	2161.17
North America (11)	1773.54	-1.4	1798.81	1770.96	1683.13	0.78	2039.65	1468.11

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Oct 24: 287.8 ; day's change: -3.3 points; Year ago: 220.1 † Partial.
Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	57	13
Other Fixed Interest	0	0	14
Mineral Extraction	56	40	100
General Manufacturers	111	123	403
Consumer Goods	29	42	116
Services	73	81	341
Utilities	19	19	7
Financials	48	70	247
Investment Trusts	56	67	342
Others	31	46	37
Totals	424	544	1620

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	October 24	Expiry	January 26
Last Dealings	November 4	Settlement	February 9

Calls: Bibby (J), Eurotunnel, Filtronic, Hanson Wts, Tullow Oil, VideoLogic, Wills Group. Puts & Calls: Hanson Wts.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	0.68	6½	4	APTA Wnts.	5		-	-	-	-
-	F.P.	9.02	73	69	Artesian Ests.	67	-1	-	-	-	-
-	F.P.	1.30	1½	1	Cont'l Foods Wts	1¼		-	-	-	-
63	F.P.	12.2	68	65	Ennemix	67		RN0.71	5.3	1.3	8.4
-	F.P.	47.4	117	108	Filtronic C'tek	113		RN0.75	2.6	0.8	38.0
115	F.P.	39.1	128	115	Games Workshop	126		RN4.6	2.2	4.6	11.9
-	F.P.	2.33	35	28	Group Dv Cap Wts	28		-	-	-	-
-	F.P.	29.5	62	59	Hambros Sm Asian	59		-	-	-	-
-	F.P.	2.80	30	28	Do Warrants	28		-	-	-	-
180	F.P.	17.6	195	178	Mackie Intl	183		RN8.0	2.2	4.1	7.5
180	F.P.	418.9	181	163	Man ED & F	163	-1	RN8.6	1.6	6.6	9.0
-	F.P.	336.0	488	475	Prolific Inc.	480		-	-	-	-
135	F.P.	59.1	149	136	Servisair	147	+1	RN3.8	1.3	3.2	33.8
-	F.P.	112.3	379	360	Templeton E New	363	-1	-	-	-	-
-	F.P.	11.4	212	185	Do. Wrts. 2004	185	-2	-	-	-	-
-	F.P.	8.14	61	57	Whitchurch	61	+1	RN1.25	3.0	2.6	12.7
-	F.P.	28.3	360	340	Wrexham Water	340		-	-	-	-
-	F.P.	4.74	330	320	Do. NV	320		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
17	Nil	2/12	2pm	¼pm	APTA Health	¼pm	
118	Nil	28/11	20pm	9½pm	Cattles	11pm	
Ir4p	Nil	25/11	¼pm	¼pm	Dragon Oil	¼pm	
500	Nil	18/10	60pm	24pm	Reckitt & Colman	60pm	
180	Nil	9/12	15½pm	9pm	Sidlaw	9pm	
Ir330p	Nil	29/11	59pm	42pm	Smurfit (J)	42pm	-3
75	Nil	14/11	5pm	1½pm	World of Leather	1½pm	

FINANCIAL TIMES EQUITY INDICES

	Oct 24	Oct 21	Oct 20	Oct 19	Oct 18	Yr ago	*High	*Low
Ordinary Share	2325.2	2333.7	2358.2	2357.0	2373.9	2395.9	2713.6	2240.6
Ord. div. yield	4.41	4.41	4.37	4.36	4.33	3.67	4.51	3.43
Earn. yld. % full	6.31	6.29	6.22	6.22	6.18	4.49	6.51	3.82
P/E ratio net	18.24	18.30	18.50	18.51	18.64	28.06	33.43	18.94
P/E ratio nil	17.78	17.84	18.03	18.04	18.17	25.88	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2336.9	2335.7	2336.1	2343.1	2337.6	2336.5	2338.4	2337.7	2328.6	2343.5	2324.9

	Oct 24	Oct 21	Oct 20	Oct 19	Oct 18	Yr ago
SEAQ bargains	22,654	22,025	23,005	20,146	21,758	32,442
Equity turnover (£m)†	-	942.8	1407.3	1154.7	1018.1	1175.3
Equity bargains†	-	24,254	25,888	22,838	24,970	35,666
Shares traded (m)†	-	437.0	556.1	502.4	479.6	485.3

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro R	□	£23$\frac{1}{16}$	+$\frac{3}{16}$	£25$\frac{3}{8}$	£19$\frac{13}{16}$	6,363	5.3	φ
ANZ A$		173	+1	278$\frac{3}{4}$	172	2,302	5.2	27.3
Abbey National	†N□	411	+5	525	380$\frac{1}{2}$	5,382	4.7	13.8
Allied Irish I£	♣†N□	244	—	314	233	1,626	5.2	8.4
Anglo Irish I£	N□	58	—	*70	50	199.6	7.4	10.5
Asahi Y	□	704$\frac{1}{2}$	-1$\frac{1}{2}$	819$\frac{1}{4}$	628	16,350	0.6	φ
Banco Bil Viz Pta	□	£16$\frac{3}{4}$	-$\frac{1}{8}$	£18$\frac{7}{8}$	£14$\frac{1}{2}$	3,618	5.1	7.3
Banco Sant Pta		£28$\frac{1}{4}$	—	*£30$\frac{1}{2}$	£23$\frac{1}{4}$	4,288	5.0	9.9
Bk Ireland I£	♣□	275	—	*319	246	1,290	4.7	8.0
Bank Scotland	♣†N□	198xd	-1	247	172$\frac{1}{2}$	2,322	3.3	11.2
9$\frac{1}{4}$pc Pf		108$\frac{1}{2}$xd	—	141$\frac{1}{2}$	105$\frac{1}{2}$	108.5	10.9	—
9$\frac{3}{4}$pc Pf		111$\frac{3}{4}$xd	—	149$\frac{1}{2}$	111$\frac{1}{4}$	111.8	10.9	—
Barclays	♣†N□	572	—	640	487	9,317	3.8	12.2
Dai Ichi Kan Y	□	£11$\frac{7}{8}$	-$\frac{1}{8}$	£12$\frac{3}{8}$	£10$\frac{7}{16}$	34,898	0.5	—
Deutsche DM	□	£299$\frac{1}{4}$	-$\frac{1}{4}$	£344$\frac{1}{2}$	£270$\frac{1}{4}$	14,278	2.3	—
Espirito Santo	□	29$\frac{1}{8}$	—	*£13$\frac{1}{8}$	£8$\frac{1}{4}$	193.8	4.1	4.7
First Nat Fin	N□	65	—	*90	60	109.7	2.9	—
6.3pc Cv Pf		71	—	*90	71	4.77	11.1	—
7pc Cv Pf		127	—	171	123	60.3	6.9	—
Fuji Bank Y	□	1308$\frac{1}{2}$	-3	1549$\frac{1}{4}$	1162$\frac{1}{2}$	38,355	0.4	φ
HSBC HK	†N□	716xd	+1	1133	680	12,425	4.3	10.3
HSBC (75p Shs)	†N□	708xd	-1	1113	660	6,008	4.3	10.2
Lloyds	†N□	542	-3	680	519	7,024	5.3	10.7
Mitsubishi Y	□	£15$\frac{1}{8}$	-$\frac{1}{8}$	£16$\frac{3}{8}$	£15$\frac{1}{8}$	44,580	0.3	φ
Mits Tst & Bk Y	□	964	-2$\frac{1}{4}$	1162$\frac{1}{4}$	887$\frac{1}{2}$	11,433	0.5	15.2
Mitsui Tst & Bk Y	□	720$\frac{1}{4}$	+8	879	514	8,631	0.7	24.4
Nat Aust A$	†	490	+4	620$\frac{1}{4}$	472	6,425	5.8	10.8
NatWest	†N□	467	-2	622	421	8,123	5.0	9.1
Ottomane FFr		222	—	233	£21$\frac{1}{4}$	190.0	6.6	φ
Ryl Bk Scotland	♣†N□	421	+1	628	377$\frac{1}{2}$	3,372	3.8	18.0
Sakura Y	□	£8$\frac{1}{8}$	-$\frac{1}{8}$	£9$\frac{1}{4}$	£8$\frac{1}{8}$	27,290	0.7	51.0
Sanwa Y	□	£12$\frac{1}{4}$	-$\frac{1}{8}$	£15$\frac{1}{4}$	£11$\frac{1}{2}$	37,208	0.4	—
Standard Chartd.	†N□	279xd	—	*359$\frac{1}{4}$	223	2,686	2.9	9.6

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29½	----	£30	£13½	1,923	2.5	21.6
Barlow	Z	£4⅞	----	£5⅝	£3¾	967.9	0.7	-
Gold Flds Prop R		118xa	----	128	75	12.1	7.7	Φ
MK Props		95	----	95	85	3.82	12.4	-
SASOL	♥	587	----	592	280	3,224	2.4	-
SA Brews		£14½	----	£16⅞	£10	3,988	1.9	23.5
Tiger Oats	†	723	+110	838	538	1,687	2.2	15.3
Tongaat-Hulett	§	598	----	*616½	358¼	545.9	2.1	16.7

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ *Figures or report awaited*
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on *Stock Exchange* and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § *Forecast dividend yield; p/e based on earnings updated by latest interim statement.*
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
r Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2651. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Fidelity Money Funds						
Pembroke Hall, Pembroke, Bermuda						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Lazard Freres Asset Management (CI) Ltd
PO Box 275, St Peter Port, Guernsey, CI

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St Peter Port, Guernsey, C.I.

Lazard Select Investment Trust Ltd

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

[illegible]

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Credit Investment Funds - Contd.

Murray Universal, Sicav

Citi Insurance Co Ltd

Sun Life International (IOM) Ltd

OTHER OFFSHORE FUNDS

The Environmental Investment Co Ltd

Jardine Fleming Unit Trusts Ltd - Contd.

Pakistan Fund

Sri Lanka Growth Fund

OFFSHORE INSURANCES

Morgan Stanley Sicav

Smith Barney Funds

Sodific Asset Management Inc

Carl Spaengler KAG

Springfield Fund Mgmt (Gibraltar) Ltd

MANAGED FUNDS NOTES

F - Forward pricing

h - Distribution free of UK taxes

p - Periodic premium insurance plans

s - Single premium insurance

u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities)

x - Offered price includes all expenses except agent's commission.

z - Previous day's price.

§§ - Guernsey gross

◆ - Yield before Jersey tax.

† - Ex-subdivision.

‡ - Only available to charitable bodies

◆ - Yield column shows annualised rates of NAV increase.

xd - Ex-dividend.

CURRENCIES AND MONEY

MARKETS REPORT

Rate rise lends support to Australian dollar

The Australian dollar was yesterday firmer after the central bank's decision to raise short term interest rates by 100 basis points, *writes Philip Gawith.*

Although higher rates had been expected, the decision to lift cash rates to 6.5 per cent came earlier, and was larger, than the market had expected.

The Australian dollar closed in London at \$0.7366 from \$0.7316 on Friday. Traders said its inability to break through the \$0.74 barrier left the Australian dollar vulnerable to a correction.

Elsewhere, the US dollar traded in a narrow range. It gained some support from good German inflation data which renewed market speculation that the Bundesbank council might lower German interest rates when it meets this week. The dollar closed at DM1.497, from DM1.4954, and at Y97.215 from Y96.995.

The sterling index was unchanged at 80.4. After a firmer start, with the pound rising above DM2.44, it later lost ground to close at DM2.437, from DM 2.4345. Against the dollar it was unchanged at \$1.628.

In Europe, the Swedish krona was the star performer on the back of a successful bond auction. The krona finished at SKr4.748 against the D-Mark, from SKr4.758.

■ The Australian dollar has risen from around \$0.65 at the end of last year to its present level, buoyed by rising commodity prices and the prospect of higher interest rates. Some observers see this trend continuing, but others believe a correction may be in order.

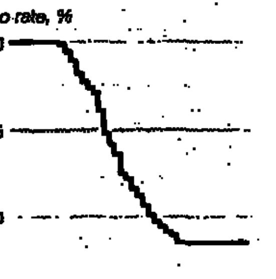
Mr Joe Prendergast, analyst at Paribas Capital Markets, commented: "From here, given that commodity prices may weaken, with the increasing focus on the balance of payments, and the CPI out this week, I would not be surprised if we saw the 'Ozzie' fall to \$0.73 this week. It is not going through the technical levels, so the market is looking to the downside in the short term."

The focus is on the release tomorrow of the second quarter CPI figures. There is some concern that these figures will show why the RBA tightened policy as much as it did. If these suggest that the RBA is playing "catch-up" in combatting inflation, there is a risk of the "Ozzie" going the same way as the US dollar.

■ The broad market consensus is that the US dollar will remain weak until at least some further tightening of monetary policy is seen. In the absence of this, it remains vulnerable to a sell-off on the publication of strong economic data. In this regard, both the employment cost index today, and the durable goods orders tomorrow, will be closely watched.

Germany

Repo rate, %



Source: Datastream

Although the dollar remains very weak, it appears that the absence of central bank intervention may actually have helped. Commenting on the dollar's very narrow trading range, Mr Jeremy Hawkins, chief economist at the Bank of America in London, said: "It may be more effective letting the market worry about potential intervention than actually buying dollars publicly."

Mr Hawkins said he believed the market was also "pretty short" of dollars now, and this accounted for the slow trade, in the absence of new information to trade on.

Mr Tony Norfield, UK treasury economist at Abn-Amro, said the loss of liquidity in financial markets this year was another factor explaining the subdued trading volumes. "There are not that many big investors prepared to take a bet and go with it," he said.

■ The catalyst for the firmer krona was a successful bond auction which was more than two times oversubscribed. Weakness in the bond market has occasionally undermined the currency in recent months.

The Finnish markka ended at FM3.046 to the D-Mark, from FM3.0525. Dealers reported the Bank of Finland had earlier bought small amounts of D-Mark for markkas. Mr Prendergast commented: "The Bank of Finland has in the past month been on both sides of the market. The bank is not protesting against particular levels of the markka; it is just seeking to calm some sharp market moves."

He said he was sceptical of whether the trend that has seen the markka rise by 21.5 per cent against the dollar this year, could continue.

■ The overnight rate traded between 5¼ and 7 per cent as the Bank of England provided UK money markets with £251m assistance – £175m in the form of late assistance – after forecasting a £450m shortage. Three month LIBOR was unchanged at 5⅞ per cent.

■ **Pound in New York**

Oct 24	—Latest—	— Prev. close —
£ spot	1.6290	1.6265
1 mth	1.6283	1.6276
3 mth	1.6279	1.6272
1 yr	1.6185	1.6173

■ **OTHER CURRENCIES**

Oct 24	£	$
Hungary	171.820 - 172.036	105.560 - 105.660
Iran	2851.00 - 2854.00	1748.00 - 1750.00
Kuwait	0.4839 - 0.4849	0.2973 - 0.2978
Poland	37404.5 - 37464.9	22980.0 - 23010.0
Russia	4962.14 - 4970.28	3048.00 - 3053.00
U.A.E.	5.9747 - 5.9866	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Oct 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1521	+0.0174	454 - 588	17.2089	17.1450	17.1478	0.3	17.1369	0.4	-	-	115.4
Belgium	(BFr)	50.1897	+0.0635	657 - 137	50.3450	50.1600	50.1547	0.8	50.0847	0.8	49.6947	1.0	117.2
Denmark	(DKr)	9.5251	+0.0061	212 - 290	9.5587	9.5207	9.5204	0.6	9.5391	-0.6	9.5685	-0.6	117.3
Finland	(FM)	7.4267	-0.0377	174 - 360	7.5280	7.4170	-	-	-	-	-	-	89.2
France	(FFr)	8.3517	+0.0065	480 - 554	8.3830	8.3470	8.3519	0.0	8.344	0.4	8.2842	0.8	110.7
Germany	(DM)	2.4370	+0.0025	362 - 377	2.4484	2.4361	2.4358	0.6	2.4323	0.8	2.4007	1.5	126.8
Greece	(Dr)	374.998	+0.313	859 - 137	375.987	374.853	-	-	-	-	-	-	-
Ireland	(I£)	1.0136	-0.0013	129 - 142	1.0154	1.0125	1.0134	0.2	1.013	0.2	1.0149	-0.1	105.6
Italy	(L)	2491.58	-0.08	038 - 277	2502.07	2490.10	2497.58	-2.9	2509.38	-2.9	2560.93	-2.8	74.8
Luxembourg	(LFr)	50.1897	+0.0635	657 - 137	50.3450	50.1600	50.1547	0.8	50.0847	0.8	49.6947	1.0	117.2
Netherlands	(Fl)	2.7316	+0.003	308 - 324	2.7403	2.7300	2.7302	0.6	2.7263	0.8	2.6933	1.4	121.2
Norway	(NKr)	10.6012	+0.0045	971 - 053	10.6455	10.5966	10.6007	0.1	10.604	-0.1	10.6048	0.0	96.6
Portugal	(Es)	249.288	+0.204	168 - 408	250.138	249.163	251.018	-8.3	254.198	-7.9	-	-	-
Spain	(Pta)	203.258	+0.238	186 - 330	203.800	203.180	203.603	-2.0	204.713	-2.9	207.033	-1.9	86.0
Sweden	(SKr)	11.5695	-0.0109	601 - 788	11.6495	11.5600	11.5905	-2.2	11.6375	-2.4	11.8255	-2.2	76.7
Switzerland	(SFr)	2.0293	+0.0016	281 - 304	2.0365	2.0275	2.0265	1.6	2.0197	1.9	1.9804	2.4	123.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.4
Ecu	-	1.2805	+0.0015	798 - 812	1.2847	1.2795	1.2804	0.1	1.2804	0.0	1.2748	0.4	-
SDR†	-	0.915621	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6279	-	275 - 282	1.6291	1.6256	-	-	-	-	-	-	-
Brazil	(R)	1.3854	-0.0001	835 - 872	1.3898	1.3820	-	-	-	-	-	-	-
Canada	(C$)	2.2013	-0.0042	005 - 020	2.2035	2.1970	2.2002	0.6	2.199	0.4	2.1956	0.3	88.8
Mexico	(New Peso)	5.5635	+0.003	602 - 668	5.5678	5.5555	-	-	-	-	-	-	-
USA	($)	1.6280	-	277 - 282	1.6293	1.6256	1.6272	0.6	1.6267	0.3	1.6168	0.7	60.8
Pacific/Middle East/Africa													
Australia	(A$)	2.2102	-0.0153	091 - 113	2.2215	2.2034	2.2102	0.0	2.2115	-0.2	2.2296	-0.9	-
Hong Kong	(HK$)	12.5797	-0.001	769 - 824	12.5896	12.5625	12.5758	0.4	12.5747	0.2	12.5818	0.0	-
India	(Rs)	51.0568	-0.0015	569 - 766	51.1070	50.9930	-	-	-	-	-	-	-
Japan	(Y)	158.261	+0.353	196 - 326	158.840	158.130	157.831	3.3	156.826	3.6	151.571	4.2	189.1
Malaysia	(M$)	4.1567	-0.0008	552 - 581	4.1698	4.1511	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6568	-0.0031	553 - 583	2.6601	2.6547	2.6607	-1.8	2.6685	-1.8	2.6907	-1.3	-
Philippines	(Peso)	40.6174	-0.4063	297 - 050	40.7100	40.5285	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1058	-	045 - 071	6.1107	6.0976	-	-	-	-	-	-	-
Singapore	(S$)	2.3985	-0.0012	973 - 996	2.4006	2.3959	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.7088	+0.0014	067 - 109	5.7172	5.7028	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.4711	-0.0328	538 - 884	6.5120	6.4530	-	-	-	-	-	-	-
South Korea	(Won)	1297.96	-0.62	695 - 896	1299.50	1296.40	-	-	-	-	-	-	-
Taiwan	(T$)	42.4126	+0.0418	032 - 219	42.4449	42.3150	-	-	-	-	-	-	-
Thailand	(Bt)	40.5685	+0.0313	460 - 910	40.5940	40.5260	-	-	-	-	-	-	-

†SDR rates for Oct 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.5360	+0.011	335 - 385	10.5795	10.5330	10.536	0.0	10.5358	0.0	10.461	0.7	104.6
Belgium	(BFr)	30.8300	+0.04	200 - 400	30.9350	30.8200	30.84	-0.4	30.79	0.5	30.74	0.3	106.2
Denmark	(DKr)	5.8510	+0.004	495 - 525	5.8798	5.8460	5.8554	-0.9	5.8645	-0.9	5.921	-1.2	105.7
Finland	(FM)	4.5620	-0.023	570 - 670	4.6256	4.5520	4.5627	-0.2	4.5593	0.2	4.5695	-0.2	83.3
France	(FFr)	5.1302	+0.0042	287 - 317	5.1510	5.1275	5.1322	-0.5	5.1307	0.0	5.1242	0.1	106.8
Germany	(D)	1.4970	+0.0016	967 - 972	1.5030	1.4960	1.4971	-0.1	1.4953	0.4	1.4843	0.8	107.5
Greece	(Dr)	230.350	+0.2	300 - 400	230.950	230.300	230.645	-1.5	231.225	-1.5	233.425	-1.3	66.7
Ireland	(I£)	1.6062	+0.0021	054 - 069	1.6080	1.6038	1.6061	0.0	1.6063	0.0	1.5932	0.8	-
Italy	(L)	1530.50	-	000 - 100	1537.50	1530.00	1534.85	-3.4	1542.7	-3.2	1584	-3.5	74.9
Luxembourg	(LFr)	30.8300	+0.04	200 - 400	30.9350	30.8200	30.84	-0.4	30.79	0.5	30.74	0.3	106.2
Netherlands	(Fl)	1.6780	+0.0019	777 - 782	1.6840	1.6773	1.6782	-0.1	1.6761	0.5	1.666	0.7	106.0
Norway	(NKr)	6.5120	+0.003	105 - 135	6.5422	6.5100	6.5157	-0.7	6.5335	-1.3	6.587	-1.2	96.8
Portugal	(Es)	153.130	+0.13	080 - 180	153.660	153.070	153.805	-5.3	155.03	-5.0	159.38	-4.1	95.1
Spain	(Pta)	124.855	+0.15	830 - 880	125.190	124.820	125.12	-2.5	123.88	3.2	128.055	-2.6	80.9
Sweden	(SKr)	7.1068	-0.0065	021 - 114	7.1532	7.1018	7.1216	-2.5	7.1643	-2.7	7.3193	-3.0	82.0
Switzerland	(SFr)	1.2465	+0.001	460 - 470	1.2520	1.2454	1.2454	1.1	1.2417	1.6	1.225	1.7	108.7
UK	(£)	1.6280	-	277 - 282	1.6293	1.6256	1.6272	0.6	1.6267	0.3	1.6168	0.7	86.8
Ecu	-	1.2713	-0.0017	708 - 718	1.2723	1.2671	1.2706	0.7	1.2702	0.4	1.2682	0.2	-
SDR†	-	1.49347	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R)	0.8510	-	500 - 520	0.8530	0.8500	-	-	-	-	-	-	-
Canada	(C$)	1.3522	-0.0026	519 - 524	1.3526	1.3509	1.3521	0.0	1.3525	-0.1	1.3602	-0.6	83.6
Mexico	(New Peso)	3.4175	+0.002	160 - 190	3.4200	3.4150	3.4185	-0.4	3.4203	-0.3	3.4277	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3577	-0.0093	572 - 581	1.3655	1.3541	1.358	-0.2	1.3587	-0.3	1.366	-0.6	84.4
Hong Kong	(HK$)	7.7273	-0.0004	268 - 278	7.7280	7.7260	7.7271	0.0	7.7278	0.0	7.7428	-0.2	-
India	(Rs)	31.3688	-	675 - 700	31.3700	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	97.2150	+0.22	900 - 400	97.5200	97.1800	96.995	2.7	96.415	3.3	93.76	3.6	150.2
Malaysia	(M$)	2.5533	-0.0005	528 - 538	2.5545	2.5520	2.5441	4.3	2.5328	3.2	2.6063	-2.1	-
New Zealand	(NZ$)	1.6320	-0.0019	313 - 327	1.6327	1.6313	1.6329	-0.7	1.6348	-0.7	1.6401	-0.5	-
Philippines	(Peso)	24.9500	-0.25	000 - 000	25.0000	24.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 508	3.7510	3.7500	3.7519	-0.4	3.756	-0.6	3.7746	-0.6	-
Singapore	(S$)	1.4733	-0.0007	728 - 738	1.4745	1.4725	1.472	1.1	1.4701	0.9	1.4633	0.7	-
S Africa (Com.)	(R)	3.5066	+0.001	060 - 075	3.5103	3.5040	3.5223	-5.3	3.5506	-5.0	3.6273	-3.4	-
S Africa (Fin.)	(R)	3.9750	-0.02	650 - 850	4.0000	3.9600	4.0087	-10.2	4.0675	-9.3	-	-	-
South Korea	(Won)	797.295	-0.355	800 - 790	798.000	796.750	800.295	-4.5	803.795	-3.3	822.295	-3.1	-
Taiwan	(T$)	26.0528	+0.0265	510 - 545	26.0550	26.0260	26.0728	-0.9	26.1128	-0.9	-	-	-
Thailand	(Bt)	24.9200	+0.02	100 - 300	24.9500	24.9100	24.9925	-3.5	25.12	-3.2	25.6	-2.7	-

†SDR rate for Oct 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 21. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 24	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅝	5	5¼	5⅝	6½	7.40	4.50	-
week ago	4⅞	5	5¼	5⅝	6⅝	7.40	4.50	-
France	5⅜	5⅜	5⅝	5⅞	6⅝	5.00	-	6.75
week ago	5⅜	5⅜	5⅝	5⅞	6¾	5.00	-	6.75
Germany	4.65	4.95	5.15	5.25	5.58	6.00	4.50	4.85
week ago	4.68	4.85	5.15	5.30	5.62	6.00	4.50	4.85
Ireland	5⅜	5½	5⅝	6½	7⅛	-	-	6.25
week ago	4⅞	5½	5½	6⅜	7⅛	-	-	6.25
Italy	8¼	8¾	8⅞	9½	10⅜	-	7.50	8.20
week ago	8⅜	8⅝	8¾	9½	10¼	-	7.50	8.20
Netherlands	4.84	4.95	5.19	5.33	5.70	-	5.25	-
week ago	4.84	4.95	5.17	5.31	5.71	-	5.25	-
Switzerland	3⅞	3⅞	4⅛	4½	4⅝	6.625	3.50	-
week ago	2⅞	3⅞	4⅛	4⅜	4⅞	6.625	3.50	-
US	4⅞	4⅞	5⅜	5⅞	6⅛	-	4.00	-
week ago	4⅞	4⅞	5½	5¾	6½	-	4.00	-
Japan	2¼	2¼	2⅜	2⅝	2¾	-	1.75	-
week ago	2¼	2¼	2⅜	2½	2⅞	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	5	5⅜	5⅞	6½	-	-	-
week ago	-	5	5⅜	5⅞	6⅜	-	-	-
US Dollar CDs	-	4.86	5.39	5.72	6.31	-	-	-
week ago	-	4.86	5.23	5.54	6.10	-	-	-
SDR Linked Ds	-	3¾	3⅞	3¾	4	-	-	-
week ago	-	3¾	3⅞	3⅜	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for \$10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	4 15/16 - 4 13/16	5 - 4⅞	5¼ - 5⅛	5 9/16 - 5 7/16	6¼ - 6⅛
Danish Krone	6 - 5¾	6 - 5¾	6 - 5¾	6⅜ - 6¼	6¾ - 6⅝	7½ - 7⅜
D-Mark	4⅞ - 4¾	4⅞ - 4¾	4 13/16 - 4 11/16	5 3/16 - 5 1/16	5 9/16 - 5 7/16	5 15/16 - 5 13/16
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 5/16 - 5⅛	5⅜ - 5¼	5¾ - 5⅝
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5⅝ - 5½	5⅞ - 5¾	6⅞ - 6¾
Portuguese Esc.	9⅛ - 9	9⅛ - 9	9⅝ - 9⅜	10¼ - 10	10⅜ - 10¼	10⅝ - 10⅜
Spanish Peseta	7½ - 7⅜	7½ - 7⅜	7⅝ - 7½	7 13/16 - 7 11/16	8⅜ - 8¼	9⅛ - 9
Sterling	5⅝ - 5⅜	5 7/16 - 5 5/16	5½ - 5 7/16	5 15/16 - 5 13/16	6½ - 6⅜	7 5/16 - 7 3/16
Swiss Franc	3⅞ - 3¾	3⅞ - 3¾	3 15/16 - 3 13/16	4 1/16 - 3 15/16	4¼ - 4⅛	4⅝ - 4½
Can. Dollar	5 - 4 13/16	5 - 4 13/16	4 15/16 - 4 13/16	5 7/16 - 5 5/16	6 - 5⅞	6 13/16 - 6 11/16
US Dollar	4¾ - 4⅝	4 13/16 - 4 11/16	5 - 4⅞	5⅝ - 5½	5 15/16 - 5 13/16	6½ - 6⅜
Italian Lira	9 - 7½	8⅜ - 8⅛	8⅜ - 8⅛	8¾ - 8⅝	9¼ - 9⅛	10¼ - 10⅛
Yen	2¼ - 2⅛	2 5/16 - 2 3/16	2⅜ - 2¼	2⅜ - 2¼	2½ - 2 7/16	2 13/16 - 2¾
Asian $Sing	1⅞ - 1¾	1¼ - 1⅛	2⅜ - 2¼	3⅜ - 3¼	3⅝ - 3½	4 - 3⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.20	94.19	-	94.21	94.16	6,131	57,028
Mar	93.75	93.73	-0.01	93.75	93.71	3,856	38,444
Jun	93.34	93.32	-0.01	93.35	93.30	3,874	27,450
Sep	92.95	92.93	-0.01	92.96	92.92	1,389	20,031

■ **THREE MONTH EURODOLLAR** (LIFFE)* \$1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.01	93.98	-0.02	94.01	94.01	53	2529
Mar	-	93.55	-0.02	-	-	0	1386
Jun	-	93.07	-0.04	-	-	0	300
Sep	-	92.71	-0.06	-	-	0	56

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.60	94.61	+0.02	94.62	94.76	15847	158054
Mar	94.47	94.47	-	94.49	94.44	23892	141279
Jun	94.06	94.06	-0.02	94.09	94.04	12945	104094
Sep	93.69	93.66	-0.02	93.69	93.64	4659	78093

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.69	90.68	-0.01	90.73	90.67	2899	32678
Mar	89.99	89.95	-0.02	90.01	89.95	1486	24483
Jun	89.44	89.42	-0.02	89.46	89.41	552	15499
Sep	89.06	89.03	-0.03	89.09	89.05	237	18062

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.82	95.78	-0.02	95.82	95.77	1901	19007
Mar	95.47	95.45	-0.02	95.47	95.44	1037	16368
Jun	95.05	95.05	-	95.07	95.04	288	5216
Sep	94.71	94.71	-0.01	94.71	94.71	20	1643

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.81	93.82	+0.01	93.83	93.81	141	7360
Mar	93.37	93.34	-0.02	93.37	93.32	639	6630
Jun	92.84	92.83	-0.01	92.84	92.80	465	3694
Sep	92.37	92.34	-0.04	92.39	92.31	87	2216

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.98	16.64	4.856	2.020	4965	5.443	21.12	496.7	405.1	23.05	4.043	1.992	4.385	3.244	315.4	2.552
Denmark	(DKr)	52.69	10	8.769	2.559	1.065	2616	2.868	11.13	261.7	213.4	12.15	2.130	1.050	2.311	1.709	166.2	1.345
France	(FFr)	60.09	11.40	10	2.918	1.214	2984	3.271	12.69	298.5	243.4	13.85	2.429	1.197	2.635	1.949	189.5	1.534
Germany	(DM)	20.59	3.908	3.427	1	0.416	1023	1.121	4.350	102.3	83.42	4.748	0.833	0.410	0.903	0.668	64.96	0.526
Ireland	(I£)	49.50	9.393	8.237	2.403	1	2458	2.694	10.45	245.9	200.5	11.41	2.001	0.986	2.171	1.606	156.1	1.263
Italy	(L)	2.014	0.382	0.335	0.098	0.041	100.	0.110	0.425	10.00	8.158	0.464	0.081	0.040	0.088	0.065	6.352	0.051
Netherlands	(Fl)	18.37	3.486	3.057	0.892	0.371	912.2	1	3.880	91.25	74.41	4.235	0.743	0.366	0.806	0.596	57.94	0.469
Norway	(NKr)	47.35	8.986	7.879	2.299	0.957	2351	2.577	10	235.2	191.8	10.92	1.914	0.943	2.076	1.536	149.3	1.208
Portugal	(Es)	20.13	3.821	3.350	0.978	0.407	999.6	1.096	4.252	100.	81.55	4.641	0.814	0.401	0.883	0.653	63.50	0.514
Spain	(Pta)	24.69	4.685	4.108	1.199	0.499	1226	1.344	5.214	122.6	100.	5.691	0.998	0.492	1.083	0.801	77.87	0.630
Sweden	(SKr)	43.38	8.232	7.219	2.106	0.876	2154	2.361	9.162	215.5	175.7	10	1.754	0.864	1.902	1.407	136.8	1.107
Switzerland	(SFr)	24.74	4.694	4.116	1.201	0.500	1228	1.346	5.224	122.9	100.2	5.702	1	0.493	1.085	0.802	78.02	0.631
UK	(£)	50.19	9.525	8.352	2.437	1.014	2492	2.732	10.60	249.3	203.3	11.57	2.029	1	2.201	1.628	158.3	1.281
Canada	(C$)	22.80	4.328	3.795	1.107	0.461	1132	1.241	4.816	113.3	92.37	5.257	0.922	0.454	1	0.740	71.92	0.582
US	($)	30.83	5.851	5.130	1.497	0.623	1531	1.678	6.511	153.1	124.9	7.107	1.246	0.614	1.352	1	97.24	0.787
Japan	(Y)	31.71	6.017	5.276	1.539	0.641	1574	1.726	6.696	157.5	128.4	7.309	1.282	0.632	1.390	1.028	100.	0.809
Ecu		39.18	7.436	6.520	1.902	0.792	1945	2.133	8.275	194.6	158.7	9.032	1.584	0.781	1.718	1.271	123.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6664	0.6671	-	0.6673	0.6658	28,617	89,870
Mar	0.6680	0.6678	-0.0007	0.6683	0.6674	256	4,416
Jun	-	0.6698	-	-	-	53	613

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0321	1.0326	-0.0016	1.0338	1.0300	27,953	59,065
Mar	1.0416	1.0407	-0.0019	1.0416	1.0393	278	6,790
Jun	1.0505	1.0505	-0.0023	1.0505	1.0505	2	443

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8021	0.8026	-0.0003	0.8028	0.8004	19,651	42,083
Mar	0.8050	0.8056	-0.0018	0.8056	0.8040	161	1,197
Jun	-	0.8102	-	-	-	9	129

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6254	1.6260	+0.0006	1.6280	1.6245	13,840	44,699
Mar	1.6226	1.6220	+0.0036	1.6274	1.6220	83	467
Jun	-	1.6200	-	1.6210	1.6200	1	8

UK INTEREST RATES

LONDON MONEY RATES

Oct 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5¼	5½ - 5 3/16	5½ - 5⅜	6 - 5⅞	6½ - 6⅛	7 3/16 - 7 1/16
Sterling CDs	-	-	5 13/16 - 5⅜	5⅞ - 5¾	6 3/16 - 6 1/16	7 3/16 - 7 1/16
Treasury Bills	-	-	5⅜ - 5 5/16	5⅝ - 5 9/16	-	-
Bank Bills	-	-	5⅜ - 5 5/16	5 13/16 - 5¾	6⅛ - 6 1/16	-
Local authority deps.	5¼ - 5⅛	5¼ - 5⅛	5 7/16 - 5 5/16	5¾ - 5⅝	6 3/16 - 6 1/16	7 1/16 - 6 13/16
Discount Market deps	6¼ - 5¼	5⅜ - 5¼	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc. Ave. tender rate of discount 5.4220pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 30, 1994. Agreed rate for period Oct 26, 1994 to Nov 25, 1994, Schemes II & III 7.05pc. Reference rate for period Sep 1, 1994 to Sep 30, 1994, Schemes IV & V 5.735pc. Finance House Base Rate 6pc from Oct 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.52	93.50	-	93.52	93.48	10442	145669
Mar	92.69	92.66	-0.02	92.70	92.63	10265	74067
Jun	92.09	92.05	-0.03	92.11	92.03	2522	56097
Sep	91.66	91.63	-0.03	91.68	91.62	1269	61408

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9350	0.18	0.07	0.09	0.18	0.91	1.54
9375	0.07	0.03	0.06	0.32	1.12	1.76
9400	0.02	0.01	0.04	0.52	1.35	1.99

Est. vol. total, Calls 4788 Puts 6353. Previous day's open int., Calls 337454 Puts 188615

EMS EUROPEAN CURRENCY UNIT RATES

Oct 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14643	+0.00135	-2.29	5.94	-
Belgium	40.2123	39.4353	+0.0298	-1.93	5.55	15
Germany	1.94964	1.91548	+0.00149	-1.75	5.36	-
Ireland	0.808628	0.794645	-0.002158	-1.73	5.33	8
France	6.53883	6.56308	+0.00181	0.37	3.13	-4
Denmark	7.43679	7.48444	-0.00205	0.64	2.86	-5
Portugal	192.854	195.872	+0.035	1.56	1.92	-11
Spain	154.250	159.668	-0.007	3.51	0.00	-23
NON ERM MEMBERS						
Greece	264.513	294.579	+0.111	11.37	-7.05	-
Italy	1793.19	1958.47	-1.07	9.22	-5.22	-
UK	0.786749	0.784484	-0.002546	-0.29	3.81	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads, the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Nov	Dec	Jan	PUTS Nov	Dec	Jan
1.550	7.71	7.81	7.96	0.01	0.15	0.43
1.575	5.30	5.69	5.99	0.04	0.45	0.88
1.600	3.08	3.80	4.23	0.28	1.03	1.59
1.625	1.40	2.33	2.79	1.04	1.99	2.57
1.650	0.45	1.29	1.79	2.53	3.38	3.96
1.675	0.07	0.64	1.05	4.64	5.22	5.72

Previous day's vol., Calls 7,155 Puts 7,000 . Prev. day's open int., Calls 435,635 Puts 380,600

■ **THREE MONTH EURODOLLAR** (IMM) \$1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.02	93.99	-0.01	94.02	93.98	104,441	445,257
Mar	93.58	93.56	-0.01	93.58	93.54	132,229	395,210
Jun	93.13	93.10	-0.02	93.13	93.08	76,456	299,371

■ **US TREASURY BILL FUTURES** (IMM) \$1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.59	94.58	-0.01	94.59	94.57	666	17,805
Mar	94.12	94.10	-0.02	94.12	94.09	342	9,367
Jun	-	93.65	-	-	93.64	28	3,989

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
9475	0.10	0.14	0.07	0.11	0.04	0.08	0.35	0.39
9500	0.02	0.04	0.03	0.05	0.21	0.23	0.56	0.56
9525	0.01	0.01	0.01	0.02	0.45	0.45	0.79	0.80

Est. vol. total, Calls 11273 Puts 7053. Previous day's open int., Calls 203661 Puts 199522

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9575	0.12	0.12	0.06	0.09	0.42	0.78
9600	0.03	0.08	0.04	0.25	0.61	0.99
9625	0.01	0.04		0.48	0.84	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1870 Puts 645

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	* In administration	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	5.75		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 24 / Sch)

BELGIUM/LUXEMBOURG (Oct 24 / Frs.)

DENMARK (Oct 24 / Kr)

FINLAND (Oct 24 / Mka)

FRANCE (Oct 24 / Frs.)

GERMANY (Oct 24 / Dm.)

ITALY (Oct 24 / Lira)

NETHERLANDS (Oct 24 / Fls.)

NORWAY (Oct 24 / Kroner)

SPAIN (Oct 24 / Pts.)

SWEDEN (Oct 24 / Kronor)

SWITZERLAND (Oct 24 / Frs.)

PACIFIC

JAPAN (Oct 24 / Yen)

HONG KONG (Oct 24 / H.K.$)

MALAYSIA (Oct 24 / MYR)

SINGAPORE (Oct 24 / S$)

AUSTRALIA (Oct 24 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Oct 24 / Can $) 4 pm close

MONTREAL (Oct 24 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Oct 24 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, October 24, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Mining	4.1m	443		Mitsubish Elec	2.4m	720	+7
Toray	3.6m	761	−2	Saito Woolen	2.3m	779	+50
Nippon Steel	3.2m	388	−2	Mitsubishi Hvy	2.3m	764	−13
Nissan Motor	3.0m	846	−6	Ashimori	2.2m	654	+64
Sumitomo Mtl	2.4m	342	−8	Kawasaki Steel	2.1m	442	−6

INDICES

	Oct 24	Oct 21	Oct 20	1994 High		1994 Low	
Argentina							
General (29/12/77)	19725.53	19969.88	19902.76	25470.40	16/2	17706.90	20/4
Australia							
All Ordinaries(1/1/80)	2037.4	2034.6	2016.3	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1083.0	1077.8	1080.9	1136.10	3/2	904.80	5/5
Austria							
Credit Aktien(30/12/84)	380.79	378.32	390.03	480.86	3/2	378.32	21/10
Traded Index(2/1/91)	1024.94	1021.80	1054.80	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1364.26	1363.01	1372.92	1642.86	9/2	1336.39	7/10
Brazil							
Bovespa (29/12/83)	43441.0	45819.0	47245.0	55119.00	13/9	3600.90	3/1
Canada							
Metals Minls♦(1975)	4192.94	4254.27	4276.02	4276.02	20/10	3290.08	20/4
Composite♦ (1975)	4268.00	4285.10	4319.60	4600.60	23/3	3959.90	24/6
Portfolio§§ (4/1/83)	2082.60	2073.40	2083.03	2182.50	1/2	1966.46	28/6
Chile							
IPGA Gen (31/12/80)	5584.7	5571.9†	5580.3	5679.20	19/10	3801.20	4/4
Denmark							
CopenhagenSE(3/1/83)	347.22	347.88	349.03	415.79	2/2	339.11	7/10
Finland							
HEX General(28/12/90)	1948.1	1944.5	1951.4	1972.80	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1238.73	1237.88	1251.21	1505.20	2/2	1237.80	21/10
CAC 40(31/12/87)	1841.59	1842.09	1857.37	2355.93	2/2	1832.72	6/10
Germany							
FAZ Aktien(31/12/58)	767.88	765.75	780.22	858.27	18/5	742.94	5/10
Commerzbank(1/12/53)	2185.4	2180.7	2221.1	2465.80	2/5	2118.30	5/10
DAX (30/12/87)‡	2025.38	2022.22	2088.95	2271.11	18/5	1980.58	7/10
Greece							
Athens SE(31/12/80)	836.25	832.55	832.12	1194.58	18/1	808.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9364.29	9336.59	9388.78	12201.09	4/1	8380.44	4/5
India							
BSE Sens.(1979)	4328.37	4310.52	4281.93	4628.57	12/9	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	512.48	514.97	518.76	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1810.58	1821.82	1835.46	2082.18	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	621.79	617.49	618.97	847.17	10/5	598.85	10/1
MIB General (4/1/94)	1007.0	1000.0	1002.0	1338.09	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	19852.37	19889.06	19981.90	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	288.00	288.93	290.72	311.71	13/6	258.22	4/1
Topix (4/1/68)	1575.19	1578.94	1588.71	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2203.55	2228.39	2252.64	2542.85	6/7	1973.53	4/1
Malaysia							
KLSE Comp.(4/4/86)	1108.07	1114.42	1124.39	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2866.86	2743.36	2881.17	8/2	1957.33	20/4
Netherlands							
CBS TtlRtnGen(End 83)	428.1	427.3	430.1	454.80	31/1	406.30	21/6
CBS All Shr (End 83)	268.9	268.4	270.1	284.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	(c)	2081.57	2067.28	2430.04	3/2	1945.81	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1068.62	1063.86	1088.58	1211.19	28/2	960.91	21/6
Philippines							
Manila Comp (2/1/85)	3113.15	3084.80	3077.12	3908.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2902.3	2894.2	3077.1	3228.60	18/2	2612.80	20/6
Singapore							
SES All-S'pore(2/4/75)	583.34	581.36	580.48	641.81	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2319.0♥	2350.0	2329.9	2534.60	7/9	1749.80	14/2
JSE Indl. (28/9/78)	6603.0♥	6624.0	6611.0	6757.00	15/6	5448.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	1081.55	1085.34	1088.77	1113.29	18/10	855.37	2/4
Spain							
Madrid SE (30/12/85)	293.24	293.14	298.08	388.31	31/1	290.87	5/10
Sweden							
AffarsvardnGen (1/2/37)	1457.90	1457.20	1463.9	1603.90	31/1	1304.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1172.54	1166.82	1178.54	1423.34	31/1	1157.87	18/7
SBC General (1/4/87)	889.87	894.99	902.66	1098.29	31/1	889.67	5/10
Taiwan							
WeightedPr.(30/6/66)**	6742.39	6839.78	6761.37	7191.13	30/9	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	(c)	1522.48	1521.81	1753.73	4/1	1186.50	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	23905.07	24803.4	24827.0	28863.80	13/1	12980.70	24/3
WORLD							
MS Capital Int. (1/1/70)§	834.1*	834.6	837.3	844.00	2/9	801.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1312.32	1304.75	1324.22	1540.19	31/1	1286.46	5/10
Euro Top-100 (26/6/90)	1160.07	1157.50	1172.19	1311.01	2/2	1138.48	5/10
JCapIDgps (31/12/88)	(u)	335.34	336.24	385.39	5/1	299.28	21/3
Barings Emerg.(7/1/92)	184.08	186.28	187.55	191.76	28/9	141.65	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	SettPrice	Change	High	Low	Est. vol.	Open int.
Oct	1856.0	1838.0	-13.0	1865.0	1837.0	20,374	27,881
Nov	1861.5	1845.5	-13.0	1873.0	1847.0	3,451	2,520
Dec	1871.0	1855.0	-13.0	1880.0	1854.5	1,575	25,351

Open interest figures for previous day.

** Sat Oct 22: Taiwan Weighted Price 6770.98; Korea Comp Ex 1089.90. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 24 – 2022.64 –6.04

US INDICES

Dow Jones	Oct 24	Oct 21	Oct 20	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3855.30	3891.30	3911.15	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.74	95.98	95.81†	105.61 (21/1)	95.74 (24/10)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1475.76	1500.67	1511.39	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	177.43	179.67	180.00	227.86 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3925.61 (3921.58) Low 3840.16 (3881.35) (Theoretical♦)
Day's high 3911.48 (3911.15) Low 3863.82 (3884.23) (Actual♦)

Standard and Poors	Oct 24	Oct 21	Oct 20	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	460.83	464.89	466.85	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	548.78	552.82	555.32	560.83 (15/9)	510.05 (21/4)	560.83 (15/9/94)	3.62 (21/6/32)
Financial	42.28	42.82	43.14	48.84 (14/6)	41.30 (4/4)	48.40 (26/8/93)	8.64 (1/10/74)
NYSE Comp.	253.50	255.59	256.54	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	453.73	456.35	457.76	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	761.21	765.38	768.24	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Oct 21	Oct 14	Oct 7	Year ago
Dow Jones Ind. Div. Yield	2.72	2.71	2.79	2.79
	Oct 19	Oct 12	Oct 5	Year ago
S & P Ind. Div. yield	2.36	2.37	2.43	2.42
S & P Ind. P/E ratio	21.11	20.91	20.33	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	465.85	462.15	-3.60	467.70	461.50	76,591	224,118
Mar	468.60	465.20	-3.65	470.60	464.70	1,943	11,823
Jun	471.70	468.60	-3.90	474.65	468.45	136	2,838

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
West Elec	6,830,000	14⅝	+1
Gen Motors	5,620,800	40⅛	−⅝
Gen Elec	3,399,900	47⅞	+⅛
Airborne	3,047,000	19¾	−6¾
Citicorp	2,840,600	41⅛	−⅜
IBM	2,810,200	73	−1⅝
Telefonos	2,489,300	60⅝	−¾
Compaq	2,283,500	37⅜	−⅜
Comm Psyc	2,250,400	9⅝	+⅛
Caterpillar	2,211,700	58¾	+2

■ TRADING ACTIVITY

● Volume (million)

	Oct 24	Oct 21	Oct 20
New York SE	282.787	308.335	326.093
Amex	18.484	14.969	19.547
NASDAQ	(u)	320.528	333.906
NYSE			
Issues Traded	2,886	2,887	2,879
Rises	683	827	690
Falls	1,499	1,288	1,493
Unchanged	704	772	696
New Highs	28	22	48
New Lows	162	124	99

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close October 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	12¼	AAR	0.48	3.9	20	504	12½	d12¼	12⅜	
17¼	12⅝	A L Labs A x	0.18	1.1	38	104	16⅛	15⅞	16⅛	+⅛
79⅛	57⅝	AMP	1.68	2.2	27	1016	77⅝	77⅛	77½	
72¾	48⅛	AMR			90	2828	53⅜	51⅛	51⅜	-1⅝
5	3⅜	ARX			12	15	3⅞	3¾	3¾	
58⅛	38⅝	ASA	2.00	4.0	33	426	49⅞	49¾	49⅞	-⅛
32	25⅜	Abbott.	0.76	2.5	18	5448	31⅛	30⅝	30⅝	-⅜
15¼	11⅞	AbitiBl Pr	0.50	3.8	10	79	13⅛	13	13⅛	
23⅝	17¾	ABM Ind	0.52	2.6		5	20⅛	20	20	-⅛
18	11⅛	Acptncein			32	361	17⅞	17¼	17⅜	-½
31	22⅜	ACE Ltd	0.44	1.9	28	35	23½	22⅞	23	
12½	9¼	ACM Gvt In	1.08	11.5		891	9½	9⅜	9½	+⅛
10⅛	7	ACM GvOpp	0.80	11.2		149	7⅛	d7	7⅛	+⅛
10⅝	7	ACM Gvt Sp	0.96	13.2		244	7¼	7⅛	7¼	+⅛
12	8⅞	ACM Gvt Se	1.09	12.9		236	8½	d8⅜	8½	
11¾	7⅞	ACM Mso	1.08	12.8		165	8⅜	8¼	8⅜	+⅛
9¼	8	ACM Managd	0.72	8.9		573	8¼	8⅛	8⅛	
15½	8¾	AcmeClv	0.44	3.2	16	55	13¾	13¾	13¾	-⅛
12	6½	Acme Elect			10	1224	u13⅝	11½	12	+⅛
28¾	23	Acordia	0.60	2.2	14	8	27¾	27⅜	27¾	+¼
13¾	6¾	Actava	0.36	3.8	2	408	9½	9⅜	9⅜	-⅛
17	11¼	Acuson			120	259	16	15⅝	15⅝	-½
18⅜	16½	Adams Expr	0.48	2.8	0	111	17⅛	17	17⅛	+⅛
64	46½	Ad Micro	3.00	5.6		91	53¾	53⅛	53¾	+1⅜
31¾	16¾	AdvMic	3.00	12.2	10	12861	25⅛	24¼	24½	+¾
6⅞	5	Advest Grp	0.16	2.9	8	95	5½	5⅜	5½	+⅛
20	15	Advo Inc	0.10	0.6	120	247	18⅛	17¾	18	
62⅛	49⅜	Aegon ADR	1.47	2.4	13	25	u62⅜	62	62⅛	+⅝
65¾	44⅝	AetnaL x	2.76	6.1	6	1202	45¾	45	45¼	+1⅝

Continued on next page

4 pm close October 24

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8⅜	5	Salant Grp			6	26	5⅜	5¼	5⅜	+⅛
49⅞	31½	Sallie Mae	1.40	4.4	8	1944	32	d31⅝	31½	
13⅞	11⅞	Salomon Br x	0.36	2.9		290	12⅜	12¼	12¼	+.24
52¾	37	Salomon	0.64	1.7	6	5861	38½	37¼	38⅛	+1⅛
25	17½	SnDgGE	1.52	7.7	10	264	19⅞	19¾	19¾	-⅛
10	7½	SantaFeERs	0.16	1.8	9	718	9⅛	8¾	9	+⅛
17⅞	13½	SFeGld				6903	15¾	15⅜	15½	
40	31½	SantaFePac	2.80	8.3	15	90	33¾	33⅜	33⅝	+⅛
28¼	12⅛	SanFeP	0.10	0.7	7	3357	14½	14¼	14¼	
25	18⅝	SaraLee	0.64	2.8	15	6548	23⅛	22⅞	22⅞	-⅛
50⅛	42⅛	Scana Corp	2.82	6.6	11	321	43½	42¾	42¾	-⅛
20½	12½	Scecrp	1.00	7.6	9	14596	13⅜	13	13⅛	
43½	31¾	ScheringP			31	74	42	41⅝	41¾	+⅛
72½	54½	SchrPl	2.04	2.9	16	3922	71⅛	70⅜	70½	+⅛
63	50⅞	Schlmb	1.20	2.2	22	3449	54⅞	53¾	54⅛	-⅞
33⅞	23¾	Schwab(C)	0.28	0.9	15	1180	32⅜	31⅜	31¾	+⅛
10¾	6⅛	SchwitzDsr			28	465	10	9⅝	10	+½
22⅝	12⅞	SciAtl	0.06	0.3	45	3785	u22¾	22⅜	22⅞	+½
16⅞	13	Scotsmn	0.10	0.6	14	45	15⅞	15⅜	15⅝	
66⅛	37¼	ScottP	0.80	1.3	19	4285	63⅛	62	62⅛	+⅛
28⅞	16⅝	ScuddrNAsF	0.21	0.9		57	24⅜	24⅛	24¼	
12⅝	9⅛	ScuddrNEuF	0.16	1.6		279	9⅞	9¾	9¾	-⅛
18¾	13½	SeaCnB	0.70	4.5	7	z100	15⅝	15⅝	15⅝	
16½	14⅞	SeaC1.4625	1.46	9.8		25	15	15	15	
32⅝	25¼	Seagrm	0.60	2.0	38	1318	30½	30	30	-⅛
29¾	21⅞	Seagull En			29	906	22⅞	22⅝	22¾	-¼
36¼	26⅝	Sealed Air			25	308	34⅛	33¾	33⅞	-⅛
55⅛	42⅛	SearsR	1.60	3.5	7	4679	48⅜	46⅝	46⅞	-1⅞
13⅝	10¾	Seligm Sel x	0.84	7.9		112	10⅝	d10½	10⅝	-⅛
39¼	28	Sensormat	0.22	0.6	35	874	35	34¾	34¾	
38¾	24⅜	SequaA	0.60	2.4	5	15	24⅞	d24½	24½	-½
40¼	28	SequaB	0.50	1.8	15	19	28½	28⅛	28⅛	-⅜
28	22½	SerCp	0.42	1.7	20	2414	25¼	25⅛	25⅜	-⅜
28⅜	22	SvMstr x	0.92	3.8	12	586	24⅛	23⅞	24	-⅛
25	13⅞	Shaw Ind	0.22	1.5	18	1911	15	14¾	15	+⅛
25	19¼	Shawmut Nt	0.80	3.9	18	1971	20⅝	20¼	20⅜	-⅛
14⅝	9½	Shelby Wil	0.28	2.9	21	5	10	9¾	9¾	-¼

[Remainder of NYSE listings (S–Z) not transcribed: illegible at scan resolution]

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
42½	33⅞	York Int	0.16	0.4	18	817	38	37⅜	37⅝	+⅜
5½	1	Zapata	0.14	3.5		287	4	4	4	+⅛
13½	7	ZeithEl			9	2380	13⅛	12⅞	13	
27⅞	20⅝	Zenith Nat	1.00	4.4	8	20	22¾	22½	22½	-⅛
7⅞	6⅝	Zenix Inc x	0.83	12.0		123	6⅞	6¾	6⅞	
16⅛	11⅝	Zero	0.40	3.1	16	18	13	12⅞	13	
29¾	16⅞	Zurn Ind	0.88	4.8	16	80	18⅜	18⅛	18¼	
13⅞	10⅝	Zweig Fund	1.09	10.3		442	10¾	d10½	10½	-¼
10¾	8¼	Zweig Tot	0.84	10.2		365	8⅜	d8¼	8¼	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994.

Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close October 24

[illegible]

NASDAQ NATIONAL MARKET

4 pm close October 24

[illegible]

FINANCIAL TIMES Tuesday October 25 1994

AMERICA

Dow slips as long bond yield climbs

Wall Street

Most US share prices slipped yesterday morning as the yield on the 30-year Treasury bond climbed above 8.00 per cent again, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 8.75 lower at 3,883.22, while the more broadly based Standard & Poor's 500 was down 1.06 at 464.03.

On the NYSE, declining issues led advances by a four-to-three margin by early afternoon, on moderate volume of 155m shares.

Other leading indices were also weaker: the Nasdaq composite was off 1.38 at 764.00 and the American SE composite was down 1.36 at 454.99.

No fresh economic news was released during the morning. Stocks opened on firmer ground, with sentiment bolstered by news of a better-than-expected third quarter performance by Caterpillar, a bellwether cyclical issue.

By early afternoon, the stock was up $2½ at $56¾, but the early optimism inspired by the company' had petered out by mid-morning as investors turned their attention to developments in the bond market.

Before midday, the yield on the benchmark long bond was bid up to above 8.00 per cent, a level at which, many analysts believe, equities can lose some of their relative appeal as investments.

The action in both markets reflected heightened expectations of an early boost in short-term interest rates by the Federal Reserve.

Among the Dow components, Alcoa dropped $1⅜ to $87⅞, IBM lost $1¼ at $73½ and Eastman Kodak shed $1 to $48¾.

Offsetting the announcement of Caterpillar's results, Airborne Freight said that its earnings had fallen to 38 cents a share, from 53 cents a year earlier. The stock plunged 24 per cent to $19⅝.

Exxon was one of four oil groups reporting third-quarter results. The company exceeded analysts' forecasts by posting net income of 92 cents a share, but the stock made little headway, appreciating $⅛ to $62⅝. Amoco was down $⅛ at $59⅝, Arco added $⅛ to $102¼ and Amerada Hess was unchanged at $48¼, with each coming in close to expectations.

Canada

Toronto was subdued, softness in commodity stocks carrying the greatest weight as base metals shares corrected from a strong run last week, and golds staggered under falling bullion prices.

The TSE 300 composite index dipped 3.00 to 4,282.13 in 22.12m shares valued at C$278.62m. The base metals group eased 33.62 to 4,220.65. Alcan Aluminium Ltd took a knock, down C$⅞ at C$36⅞ after newspaper articles suggested that aluminium prices may be topped out after hitting four-year highs.

The precious metals group shed 50.92 at 10,557.87 as Comex December gold lost $1.40 to $391.40 per ounce.

Brazil

Shares in São Paulo dipped 3.6 per cent in light midday trade as investors continued to offload stock amid worries regarding the effects of last week's government announcement of economic measures aimed at lowering inflation.

The Bovespa index was 1,627 lower at 43,992 at 1 pm. Turnover was R$125m ($146.9m).

Analysts said that the absence of foreign investors weighed on stock prices.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-2.83	-6.51	-8.87	-14.96	-10.47	-1.49
Belgium	-0.86	-1.27	-3.68	-10.54	-4.53	+5.04
Denmark	+0.77	-0.81	-4.12	-9.35	-4.25	+5.36
Finland	+0.40	+5.81	+31.06	+27.69	+46.59	+61.27
France	-4.15	-4.11	-13.40	-17.48	-13.61	-4.94
Germany	-3.41	-3.17	-3.24	-11.82	-6.93	+2.40
Ireland	-3.42	-2.72	+6.34	-1.34	+2.07	+12.31
Italy	-3.01	-8.20	+3.79	+0.91	+2.59	+12.87
Netherlands	-2.16	-0.45	+0.01	-6.18	-1.18	+8.72
Norway	-2.24	+2.56	+1.63	+0.15	+5.17	+15.71
Spain	-2.83	-1.74	-7.51	-11.38	-7.69	+1.57
Sweden	-0.03	+2.09	+4.30	+4.79	+11.60	+22.79
Switzerland	-3.10	-3.60	-4.04	-13.35	-6.10	+3.32
UK	-2.31	-0.04	-4.51	-10.96	-10.96	-2.03
EUROPE	-2.64	-1.84	-4.33	-10.49	-7.44	+1.85
Australia	+1.82	+0.94	+0.40	-5.31	-7.25	+2.05
Hong Kong	-2.35	-4.63	+6.83	-22.62	-29.67	-22.62
Japan	-0.86	-0.20	-3.72	+9.02	+14.01	+25.44
Malaysia	-2.00	-5.29	+20.10	-11.33	-14.98	-6.46
New Zealand	+0.22	+0.22	+2.86	-0.59	-1.15	+8.76
Singapore	+0.06	+6.13	+12.63	-1.37	-2.15	+7.66
Canada	-0.61	-1.12	+7.53	+2.79	-8.70	+0.45
USA	-0.82	+1.21	+0.04	-0.04	-9.15	-0.04
Mexico	-0.90	-3.32	+36.54	+4.41	-13.71	-5.06
South Africa	+2.91	+0.45	+50.53	+18.34	+15.50	+27.08
WORLD INDEX	-1.25	-0.26	-1.12	-1.12	-2.98	+6.75

† Based on October 21st 1994.

The weakness of the dollar exerted its influence over the world's equity markets last week, with heavy falls seen among senior bourses. The two high spots were Australia and South Africa which, measured by the FT-Actuaries World index series, managed respective rises of nearly 2 per cent and 3 per cent in local currency terms.

South Africa has been attracting investment interest following the election of the country's first ever multi-racial democratic government earlier this year. Lehman Brothers notes that the future direction of the country's financial markets jwill depend on whether the government can carry out necessary economic and social reforms. However, the broker concludes, "barring any adverse political or external factors, the downside for the market remains limited, as valuations are supported by the stronger earnings momentum coming from the global recovery and strengthening commodity prices."

EUROPE

Late-closing bourses lose their early inspiration

The dollar's inability to hold on to hard-won gains in Europe yesterday afternoon, and Wall Street's weak midsession after an encouraging start left late-closing bourses bereft of inspiration, *writes Our Markets Staff.*

Most indications were that bourse turnover was low, or very low. It was described as "pathetic" in some quarters.

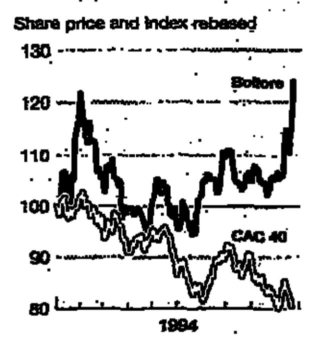
PARIS started the new account firmer but by the close had lost all the early gains as Wall Street and the dollar weakened. The CAC-40 index closed down 0.50 at 1,841.59, after a session high of 1,865.00. Turnover was about FFr2bn.

Bolloré Technologies rose FFr25.80 to FFr452.80 after a year's high, during the session, of FFr457.90. The diversified industrial group registered one of the day's best performances following news that it was to make a further round of asset sales worth FFr2bn, while some brokers moved to raise their recommendations on the stock.

Hoare Govett noted that the group had been a beneficiary of a strong exposure to the economic recovery, while other brokers expected further outperformance as the company took firm restructuring measures in an effort to reduce its debt burden to some FFr4bn by the end of the year.

Bolloré Technologies

Share price and index rebased



Source: FT Graphite

Docks de France, the retail group, moved up FFr13 to FFr709 after announcing a gain in nine month sales to the end of September while, on the opposite tack, Accor dipped FFr21 to FFr509 ahead of today's first half figures which are expected to show a sharp fall. Axa, which is due to release its six month results tomorrow, slipped 50 centimes to FFr239.

FRANKFURT steadied after last week's 4 per cent decline, the Dax index easing 3.16 higher to 2,025.38 in turnover down from DM7bn to DM4.7bn.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Oct 24 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1313.24	1313.66	1314.58	1312.52	1312.06	1311.52	1312.01	1312.32
FT-SE Eurotrack 200	1373.25	1374.88	1376.31	1373.30	1373.11	1372.25	1373.07	1372.56

	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17
FT-SE Eurotrack 100	1304.75	1324.22	1322.21	1333.52	1343.00
FT-SE Eurotrack 200	1361.84	1361.88	1379.60	1388.14	1400.87

Base 1000 (26/10/90); Highday: 100 - 1314.86; 200 - 1376.92 Lowday: 100 - 1311.00 200 - 1371 41 † Partial

The recovery was minimal compared with the session fall of 47.73, or 2.3 per cent last Friday, and it almost disappeared after hours; the Ibis-indicated Dax closed the afternoon at 2,022.64.

Mr Jens Wiecking at Merck Finck in Düsseldorf noted that the dollar was relatively stable, that the bond market had traded in a narrow range and that inflation statistics from Baden Würtemnberg and North Rhine Westphalia were regarded as good news.

However, there was nothing really to enliven the market, and the main feature in blue chips was a selection including the big three chemicals, Deutsche and Bayernhypo in banks, and Linde and Preussag in engineers recovering some of last week's sector rotation losses with gains of 1 per cent and upwards.

There was a bigger recovery in Weru, the window frame manufacturer, which rose DM45 to DM870; this followed a slide on broker downgrades from DM1130 last Tuesday.

AMSTERDAM maintained its composure and the Aex index finished with a rise of 1.48 at 401.33.

There was interest in DSM, up Fl 2.20 at Fl 144.00, ahead of third quarter results due next Monday. Reviewing the group's prospects, Goldman Sachs said that it had raised its nine month forecast for the company to Fl 290m, compared with a loss of Fl 24m in the same 1993 period.

Another chemical group, Akzo Nobel, due to report on November 2, added 10 cents to Fl 202.70. Goldman commented that the shares had been underperforming the market recently on worries that a major shareholder might sell stock after November 7 when a "standstill agreement" expires.

Nedlloyd remained unsettled following Friday's 4 per cent fall with the shares rising to Fl 49.80 before closing off 40 cents at Fl 48.50.

ZURICH, closing earlier than Paris, or Frankfurt's Ibis system, was lifted by renewed interest in dollar-sensitive shares and the SMI index closed 16.6 higher at 2,625.2.

Among chemical shares, Ciba-Geigy rose SFr17 to SFr737; brokers called this a technical rebound and pointed, too, to support from SBC's launch of a new series of covered warrants on Ciba registered stock.

Union Bank led active stocks with a rise of SFr11 to SFr1,250 while, in insurers, Winterthur rose SFr17 to SFr644 and Swiss Re by SFr13 to SFr748.

MILAN made modest forward progress, but traders suggested that the gains were mainly due to technical trading and volume remained low. The Comit index closed up 4.30 at 621.79.

Fiat, depressed by speculative selling last Friday, recovered L105 to L6,135.

Brokers saw buying among telecommunications stocks, with Telecom Italia rising L155 to L4,070 and Stet L115 to L4,495.

RAS, the insurance group, lost L180 to L18,910 ahead of a press conference today.

MADRID's heavy weighting in banks and utility stocks stood it in good stead for once, the general index closing 0.10 higher at 293.24; but turnover was only Pta11.9bn, one of the lowest figures this year, and brokers said that the day's performance was no measure of sentiment in a market which is still generally bearish.

Santander led banks with a rise of Pta60 to Pta4,980 while the obviously weak links were in construction where Cubiertas fell Pta320 to Pta7,900 and Uralita Pta25 to Pta1,285.

ISTANBUL fell 3.6 per cent, the composite index losing 898.38 at 23,905.07 as expectations for a rate rise in today's three-month T-bill auction, and fears of higher foreign currency prices ahead of Wednesday's L29,000bn bond maturity discouraged buyers.

WARSAW's recent pessimism was strengthened by Friday's decision by the lower house of parliament to introduce a 0.3 per cent stock transaction tax from January. The Wig index fell 341.2, or 3.8 per cent to 8,637.8.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Chinese fund project boosts Shanghai A shares

Tokyo

Activity eased on continued worries over the movement of the yen, and the Nikkei average closed marginally lower on selling by dealers, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index lost 46.71 to 19,852.37 after a high of 19,952.89 in the morning and a low of 19,830.57 in the afternoon. Some foreigners were seen selling export linked stocks and buying domestic demand related stocks.

Volume was 180m shares against 238m. The Topix index of all first section stocks declined 3.75 to 1,575.19 and the Nikkei 300 fell 0.93 to 288.00. Losers led gainers by 538 to 400 with 235 issues remaining unchanged.

In London, the ISE/Nikkei 50 index rose 0.53 to 1,295.28.

Investors were awaiting the listing of Japan Tobacco on Thursday. Although worries have receded about a wave of selling similar to that seen when East Japan Railway was listed last year traders said that price fluctuations in the stock would still affect investor confidence.

Nikko Securities reported that the market was approaching a "high risk zone" because of the high number of new equity issues which have been made amid the current low trading volumes.

Japan Telecom, the benchmark for former state owned companies, fell Y50,000 to Y3.75bn. Nippon Telegraph and Telephone fell Y5,000 to Y890,000, while East Japan Railway was unchanged at Y483,000.

Electricals were mixed – Hitachi rose Y7 to Y997 and Toshiba added Y12 to Y763, but Sony fell Y40 to Y5,770. Car makers were lower with Nissan Motor down Y6 to Y846 and Toyota Motor losing Y30 to Y2,080.

Steels were actively traded but closed lower on profit-taking: Nippon Steel down Y2 to Y388, and Kawasaki Steel off Y6 to Y442.

Tsumura, a Chinese herb medicine maker, failed to trade following last week's reports alleging that the company had been involved in fictitious deals to boost revenue. Although the company denied the reports, the stock closed at an offered price of Y1,120, down by its daily limit of Y200.

In Osaka, the OSE average fell 45.03 to 22,096.91 in volume of 33m shares. Nintendo, the video game maker, fell Y120 to Y5,180.

Roundup

Chinese initiatives moved equities in Hong Kong and, more obviously, on the mainland.

The Shanghai Securities News quoted an official in the Securities Commission of the State Council as saying that urgent measures must be taken to stabilise share prices, and that one avenue would be to explore and establish stock investment funds "as soon as possible."

In Hong Kong, meanwhile, sentiment was boosted by the Chinese negotiator, Guo Fengmin, who hoped that a financing arrangement could be worked out for the airport by early November.

Wellington and Bangkok were closed for holidays, as well as Colombo on account of an island-wide curfew imposed after the assassination of Sri Lanka's opposition leader, Mr Gamini Dissanayake.

HONG KONG's renewal of airport financing hopes took the Hang Seng index up from an intraday drop of 128 points to close 25.70 higher at 9,364.29.

Guo told reporters that differences between the Chinese and British sides were now very small. China-incorporated shares led the general rebound, with buyers active throughout the day, and the H-share index rising 16.50, or about 1.25 per cent to 1,353.78.

Champion Technology gained 20 cents to HK$2.575 on hopes it can benefit from a possible opening of China's telecommunications market.

SHANGHAI's A share index closed 78.56, or 10.75 per cent higher at 809.34 as turnover climbed to 5.70 billion yuan.

The fund project was first proposed by China's securities authorities at the end of July but was not mentioned again, triggering fears that Beijing might have changed its mind.

The A share index lost around 40 per cent of its value in the three weeks starting at the end of September.

SYDNEY closed slightly higher after the Reserve Bankof Australia raised its official cash rate by a percentage point to 6.50 per cent, the All Ordinaries index rising 2.8 to 2,037.4 in turnover of A$348.4m.

Resource issues finished slightly higher but industrials, particularly banks and financials, were steady. Golds had a stronger session after bullion gold added to gains in New York on Friday.

MANILA featured a Petron rise of 7.2 per cent to 26 pesos after stock dividend rumours, and the composite index rose 28.35 to 3,113.15.

Property issues remained upbeat – Filinvest Land rose 2.5 per cent to 10.25 pesos while Ayala Land B rose 1.3 per cent to 40 pesos.

SEOUL saw active institutional selling take the composite index down 7.75 to 1,081.55. The Seoul bridge collapse, which killed 32 people last week, continued to depress construction stocks and the sub-index lost 11.58 at 567.43.

Kepco fell Won300 to Won32,300 ahead of a scheduled listing on Friday of its ADRs on the New York stock exchange.

TAIPEI's weighted index fell 28.57 to 6,742.39 after late profit-taking emerged to reverse earlier gains. Profits were taken on papers and foods, with Yuen Foong Yu Paper down T$1.1 to T$39.4 and President Enterprises down T$1.5 to T$59.5.

KUALA LUMPUR continued last week's downturn ahead of the Friday's 1995 budget, the KLSE composite index falling 5.35 to 1,109.07. **JAKARTA** eased with a number of big stocks coming under pressure, the JKSE composite index losing 2.49 at 512.48.

South Africa weaker

South African equities were generally weaker, although the underlying sentiment remained steady.

Gold stocks were marked down on the softer bullion price and amid a lack of clear direction in local currencies.

The overall index lost 24 to 5,751, the industrial index slipped 21 to 6,603 after reversing earlier gains and the gold index shed 31 to 2,319.

De Beers lost R1 to R100.50, and JCI slipped R3 to R107.

Remgro shed 60 cents to R26.25, Barlows lost 50 cents to R31.25, SAB was 50 cents softer at R92.75.

Vaal Reefs was R5 softer at R430 and Dries shed 25 cents to R66.75.

Gencor lost 10 cents after Friday's 60 cent gain, closing at R15.00, on news that its former chairman and the former government finance minister, Mr David Keys, was to become chairman of its new acquisition Billiton International.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 21 1994								THURSDAY OCTOBER 20 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	170.29	0.3	155.10	104.41	132.40	154.82	1.0	3.58	169.80	155.41	104.48	132.56	153.26	189.15	149.36	155.51
Austria (16)	182.23	-1.8	165.96	111.73	141.67	141.62	-2.2	1.14	185.57	168.64	114.17	144.67	144.81	198.69	167.46	180.10
Belgium (37)	170.85	-0.6	155.61	104.75	132.83	129.73	-0.9	4.25	171.81	157.24	105.70	134.12	130.88	177.04	149.33	151.50
Canada (103)	136.40	-0.8	124.23	83.63	106.05	133.82	-0.8	2.53	137.46	125.80	84.56	107.31	134.89	145.31	120.54	130.50
Denmark (33)	260.44	-0.5	237.20	159.68	202.48	207.11	-0.9	1.43	261.74	239.55	161.03	204.33	209.06	275.79	230.27	237.31
Finland (24)	198.69	0.3	180.96	121.82	154.47	191.19	-0.3	0.74	198.17	181.37	121.92	154.71	191.65	198.69	116.85	120.89
France (101)	167.27	-0.8	152.34	102.55	130.04	134.49	-1.2	3.23	168.59	154.30	103.72	131.61	136.12	185.37	159.34	169.53
Germany (58)	143.61	-1.5	130.80	88.05	111.65	111.65	-1.9	1.85	145.84	133.48	89.73	113.86	113.86	150.40	128.37	133.42
Hong Kong (56)	378.63	-0.6	344.84	232.15	294.37	375.65	-0.6	3.31	380.98	348.68	234.38	297.43	377.95	506.66	341.29	354.09
Ireland (14)	208.01	-0.8	189.45	127.54	161.72	182.71	-1.1	3.46	209.65	191.88	128.98	163.67	184.86	216.60	171.68	173.75
Italy (59)	77.42	-1.0	70.51	47.47	60.19	88.49	-1.1	1.77	78.21	71.58	48.11	61.06	89.45	87.78	57.88	71.17
Japan (468)	163.23	-0.2	148.67	100.08	126.91	100.08	-0.6	0.77	163.61	149.73	100.65	127.72	100.65	170.10	124.34	151.92
Malaysia (97)	553.34	-1.1	503.96	339.27	430.20	544.24	-0.9	1.54	559.52	512.07	344.22	436.80	549.06	621.63	430.71	462.49
Mexico (18)	2267.00	-0.5	2064.67	1389.94	1762.45	8485.73	-0.3	1.21	2277.54	2084.39	1401.15	1777.98	8495.11	2647.08	1696.28	1823.45
Netherland (19)	216.48	-0.3	197.16	132.73	168.30	165.60	-0.7	3.49	217.18	198.77	133.61	169.56	166.78	219.75	187.01	194.05
New Zealand (14)	73.88	-0.6	67.27	45.29	57.42	64.08	-0.4	3.79	74.29	67.99	45.70	57.99	64.35	77.59	59.22	65.24
Norway (23)	207.87	-0.2	189.32	127.45	161.61	183.65	-0.6	1.80	208.30	190.64	128.15	162.62	184.71	211.74	156.52	183.64
Singapore (44)	395.68	0.2	360.37	242.60	307.63	268.77	0.2	1.57	395.01	361.52	243.02	308.38	268.23	396.92	294.66	329.82
South Africa (59)	339.49	-0.7	309.19	208.15	263.94	296.44	0.7	2.17	342.00	313.00	210.40	266.99	294.52	342.00	202.72	216.59
Spain (38)	141.54	-0.9	128.90	86.78	110.04	133.71	-1.1	4.15	142.78	130.67	87.84	111.48	135.20	155.79	128.88	143.38
Sweden (36)	241.13	0.1	219.61	147.84	187.47	253.92	-0.7	1.58	240.83	220.41	148.16	188.01	255.70	241.13	175.83	205.82
Switzerland (47)	165.48	-0.8	150.69	101.44	128.63	127.76	-0.9	1.90	166.77	152.62	102.59	130.19	128.96	176.56	143.64	146.29
United Kingdom (204)	200.89	-0.5	182.96	123.17	156.18	182.96	-0.9	4.16	201.83	184.71	124.17	157.57	184.71	214.96	181.11	192.16
USA (515)	189.83	-0.4	172.89	116.39	147.58	189.83	-0.4	2.87	190.63	174.46	117.27	148.81	190.63	196.04	178.95	189.75
EUROPE (709)	172.70	-0.7	157.29	105.88	134.26	147.75	-1.1	3.14	173.91	159.17	106.99	135.77	149.39	178.58	154.79	161.98
Nordic (116)	233.73	0.0	212.87	143.30	181.71	210.46	-0.7	1.41	233.74	213.92	143.80	182.47	211.90	233.74	173.19	192.67
Pacific Basin (747)	172.29	-0.2	156.91	105.63	133.95	110.85	-0.5	1.09	172.72	158.08	106.26	134.84	111.41	176.86	134.79	159.41
Euro-Pacific (1456)	172.34	-0.4	156.95	105.66	133.98	125.75	-0.8	1.96	173.10	158.42	106.49	135.13	126.71	175.14	143.88	160.38
North America (618)	186.51	-0.4	169.86	114.35	145.00	185.95	-0.4	2.85	187.32	171.44	115.24	146.23	186.77	192.73	175.67	186.08
Europe Ex. UK (505)	153.91	-0.8	140.18	94.37	119.68	127.16	-1.2	2.53	155.21	142.05	95.49	121.17	128.68	168.12	136.94	142.59
Pacific Ex. Japan (279)	260.79	-0.4	237.52	159.90	202.75	232.33	-0.1	2.82	261.81	239.61	161.07	204.39	232.64	296.21	230.10	232.04
World Ex. US (1636)	174.39	-0.5	158.83	106.92	135.58	129.65	-0.7	1.97	175.19	160.34	107.78	136.77	130.59	176.65	145.58	161.01
World Ex. UK (1947)	176.31	-0.4	160.57	108.10	137.07	144.65	-0.6	2.08	177.09	162.07	108.95	138.25	145.49	178.59	155.98	167.40
World Ex. So. Af. (2092)	177.43	-0.4	161.60	108.79	137.94	147.07	-0.6	2.28	178.22	163.10	109.64	139.13	148.00	180.03	158.54	169.37
World Ex. Japan (1683)	188.70	-0.5	171.86	115.69	146.70	176.33	-0.6	2.92	189.71	173.63	116.71	148.10	177.48	195.20	176.34	180.83
The World Index (2151)	178.48	-0.4	162.55	109.43	138.76	148.17	-0.6	2.28	179.28	164.07	110.28	139.95	149.08	180.80	156.65	169.58

Constituent changes with effect 25/10/94: Deletions: GBL A, B and C. Generale Banque A (all Belgium). Name changes: GBL to GBL (V V P R) and Generale Banque to Generale Banque (V V P R) (both Belgium). Latest prices were unavailable for this edition.